

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF A
REDUCTION IN RATES IN
COMPLIANCE WITH SECTION 60 OF
REPUBLIC ACT NO. 9136 AND
EXECUTIVE ORDER NO. 119, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2003-120

AGUSAN DEL SUR ELECTRIC
COOPERATIVE, INC. (ASELCO),
Applicant.

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O R D E R

Before this Commission for resolution is the application filed by applicant Agusan del Sur Electric Cooperative, Inc. (ASELCO) on March 18, 2003 for approval of a reduction in rates in compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119, with prayer for provisional authority.

In the said application, ASELCO prayed that the rate reduction equivalent to ₱0.3680/kWh be provisionally and immediately approved ex-parte; that it be authorized to adopt and implement it effective upon provisional approval; and that after notice and hearing, the rate reduction be approved permanently.

In support of its application and prayer for provisional authority, ASELCO submitted the following documents in compliance with the requirements indicated in

the Guidelines for the Implementation of the Reduction in Rate of the Electric Cooperatives Due to the Condonation of Debts, as amended, to wit:

1. Certification from the National Electrification Administration (NEA) indicating the amount of ₱112,473,905.93 as ASELCO's outstanding loan to NEA as of June 26, 2001 and that said amount has been a) recommended for assumption by the Power Sector Assets and Liabilities Management (PSALM); and b) has been used for Rural Electrification Program;
2. An Omnibus Certification from the Commission on Audit (COA) certifying that its office has verified the loan balances as of June 26, 2001 of one hundred eighteen (118) electric cooperatives, including that of ASELCO, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by ASELCO's General Manager, Mr. Ursulo E. Anuta, confirming that the amount of ₱112,473,905.93 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that is current in the payment of its obligations;
5. Detailed information or report on outstanding loans applied for condonation as follows:
 - a. Amortization payments on the Rural Electrification Loans; and

- b. Monthly kilowatthour sales covering the period July 1, 2001 to June 30, 2002.

ASELCO submitted other supporting data/documents in accordance with the aforesaid Guidelines, such as: a) the certifications of receipt of copies of the notice of application by the Local Government Units' (LGUs) Legislative Bodies of the Municipalities and City within ASELCO's area of coverage; and b) the affidavit of publication executed by Mr. Chris V. Pangaiban, Associate Editor/Co-Publisher of Mindanao Daily Patrol Caraga News, attesting to the publication of the Notice of Application.

I. SUMMARY OF ASELCO's APPLICATION

ASELCO's proposed rate reduction was computed as follows¹:

Monthly Amortization of Condoned Loans	₱ 1,059,973.45.00
Divide by Derived Average kWh Sales (for the twelve months Ending June 2002)	<u>2,880,362.64 kWh</u>
Rate Reduction	₱ 0.3680/kWh

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Mr. Ursulo E. Anuta, ASELCO's General Manager, issued a Sworn Statement/ Affirmation confirming that ASELCO's total loans to be condoned out of

¹ Based on Annex "B" – Rate Calculation submitted by ASELCO's

the loans with NEA is in the amount of ₱112,473,905.93.

The NEA Loan Profile submitted by ASELCO provides the information on the amortization payments on its Rural Electrification Loans as of June 26, 2001.

II.A.2. Monthly kilo-Watthour (kWh) sales covering the period July 1, 2001 to June 30, 2002.

The table below shows the summary of energy sales of ASELCO for the twelve months ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	21,660,701
Commercial	8,336,448
Industrial	5,188,667
Public Building	3,967,701
Street Lights	478,223
Sale for Resale	74,255
Total	39,705,995

The data on energy sales were verified because this will serve as the billing determinant³ to be used in the calculation of the rate reduction. This was done by comparing the said data with that of the monthly kWh sales reported by ASELCO in its regular submission of Monthly and Financial Statistical Reports (MFSRs).

II.B. Calculation of the Rate Reduction for Purposes of Granting Provisional Authority

The rate reduction was computed as follows:

² Based on Annex "A" Schedule B of ASELCO's application.

³ Billing Determinants are the units divided into a class of costs to calculate a rate element.

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Annual Amortization based on the amortization cost incorporated In ASELCO's last approved rate (₱1,059,973 x 12)	₱ 12,719,676.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>39,705,995 kWh</u>
Rate Reduction	₱ 0.3203/kWh

The discrepancy between ASELCO's and the Commission's computations was due to ASELCO's erroneous computation of its total energy sales.

Section 2, Rule 31 of the Implementing Rules and Regulations (IRR) of R. A. 9136 specifically provides that:

“This Rule shall cover all outstanding financial obligations by the ECs to NEA and other government agencies, incurred as of 26 June 2001 for the purpose of financing the Rural Electrification Program. x x x”
(underscoring supplied).

DISPOSITION

WHEREFORE, the foregoing premises considered, Agusan del Sur Electric Cooperative, Inc. (ASELCO) is hereby granted a provisional authority to reduce its rates by ₱0.3203/kWh effective on the next billing cycle after receipt of this Order. Should the rate reduction provisionally authorized herein is found to be insufficient

after final evaluation, the amount corresponding to the deficiency shall be reimbursed by ASELCO to its consumers by crediting the same in their electric bills covering future consumptions for a period of not more than six (6) months from the implementation of the Decision.

Relative thereto, ASELCO is hereby directed to comply with the following conditions:

- a) Reflect the approved reduction in rates as a separate item in the consumers' electric bills;
- b) Inform its consumers of the said approved rate reduction not later than thirty (30) days after receipt of this Order;
- c) Submit five (5) sample bills for each customer class for verification and confirmation purposes on or before the twentieth (20th) day of the month following the effectivity of the approved rate reduction and every month thereafter; and
- d) Continue its payment to NEA with respect to all outstanding obligations assumed by PSALM, if the amortization cost component of the EC's tariff is still collected from the end-users;

Finally, ASELCO is directed to submit the following requirements on or before the scheduled initial hearing:

- a. Certification from PSALM provisionally acknowledging the amount of loans applied for condonation subject to the final results of an audit to be performed by an independent body commissioned for such purpose;
- b. Detailed information or report on outstanding loans applied for condonation, to wit:
 - i. List of outstanding loans obtained from creditors under Article II, Section 1 of the Amended Guidelines;
 - ii. Purpose for each loan;
 - iii. Date of approval of each loan;
 - iv. Total Releases from each loan granted and date of such releases;
 - v. Principal and interest payments made for each loan;
 - vi. Outstanding balance for each loan;
 - vii. Data pertaining to its last approved rate adjustment whether provisional or final;
 - viii. Proceeds from Benefits to Host Communities in the form of grants or technical assistance pursuant to Chapter II, Sections 289 to 294 of the Local Government Code, if applicable;
 - ix. Statement on debt restructuring of any loan, if any;
 - x. Revenues generated from amortization portion of approved rates channelled to payments of purchased power cost, if

applicable; and

- xi. Other documents that may be needed by the ERC in the course of the evaluation.

ASELCO is reminded to furnish the legislative body of the Local Government Unit of the locality where it principally operates with a copy of its accomplished application form.

In the meantime, finding the application sufficient in form and in substance, with the required fees having been paid, the same is hereby set for hearing on June 10, 2003 at one o'clock (1:00 P.M.) in the afternoon at ANECO's Conference Room, Jose Aquino Avenue, Butuan City, Agusan del Norte.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Bayugan, Bunawan, Esperanza, La Paz, Loreto, Prosperidad, Rosario, San Francisco, San Luis, Sta. Josefa, Sibagat, Talacogon. Trento and Veruela, all in the Province of Agusan del Sur, for the appropriate posting thereof on their respective bulletin boards.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), the NEA, the PSALM and the Committees on Energy of both Houses of Congress who are hereby requested to have their respective duly authorized

representatives present at the aforesaid initial hearing.

ASELCO is hereby directed to publish, at its own expense, the attached Notice of Public Hearing at least twice (2) for two (2) successive weeks in two (2) newspapers of nationwide circulation in the country, the last date of publication to be made not later than two (2) weeks before the scheduled date of initial hearing.

The evidence on the posting and publication of the Notice of Public Hearing consisting of the certifications of the abovementioned Mayors or their duly authorized representatives, bearing the seals of their offices and the affidavits of the Editors or Business Managers of the newspapers wherein the said Notice of Public Hearing would be published, together with the complete copies of the issues of the said newspapers, should be submitted to the Commission by ASELCO on the date of the initial hearing.

SO ORDERED.

Pasig City, April 1, 2003.

(Sgd) LETICIA V. IBAY
Acting Chairman

(Sgd) MARY ANNE B. COLAYCO
Commissioner

(ON OFFICIAL BUSINESS)
OLIVER B. BUTALID
Commissioner

(Sgd) CARLOS R. ALINDADA
Commissioner

/CCC

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Copy furnished:

1. Atty. Zenon S. Suarez
Counsel for Applicant
4/F Casman Building
1198 Quezon Avenue, Quezon City 1100
2. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
City of Makati 1229
3. Commission on Audit
Commonwealth Avenue
Quezon City 0880
4. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City 1307
5. House Committee on Energy
Batasan Hills, Quezon City 1126
6. The Municipal Mayor
Bayugan, Agusan del Sur 8502
7. The Municipal Mayor
Bunawan, Agusan del Sur 8506
8. The Municipal Mayor
Esperanza, Agusan del Sur 8513
9. The Municipal Mayor
La Paz, Agusan del Sur 8508
10. The Municipal Mayor
Loreto, Agusan del Sur 8507
11. The Municipal Mayor
Prosperidad, Agusan del Sur 8500

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12. The Municipal Mayor
Rosario, Agusan del Sur 8504
13. The Municipal Mayor
San Francisco, Agusan del Sur 8501
14. The Municipal Mayor
San Luis, Agusan del Sur 8511
15. The Municipal Mayor
Sta. Josefa, Agusan del Sur 8512
16. The Municipal Mayor
Sibagat, Agusan del Sur 8503
17. The Municipal Mayor
Talacogon, Agusan del Sur 8510
18. The Municipal Mayor
Trento, Agusan del Sur 8505
19. The Municipal Mayor
Veruela, Agusan del Sur 8509
20. Agusan del Sur Electric Cooperative, Inc.
San Francisco, Agusan del Sur 8501
21. National Electrification Administration
NIA Road, Diliman, Quezon City 1128
22. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Diliman, Quezon City 1126