

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. 2003-14

ILOCOS NORTE ELECTRIC COOPERATIVE,
INC. (INEC),

Applicant.

x- - - - -x

O R D E R

Before this Commission for resolution is the application filed on January 6, 2003 by applicant Ilocos Norte Electric Cooperative, Inc. (INEC) 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, INEC prayed that the rate reduction equivalent to ₱0.0739/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, INEC 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 ₱1,062,108,836.91 as INEC'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) was intended for the Rural Electrification Program of INEC's coverage area;

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 INEC;
3. Sworn Statements/Affirmations executed by INEC's General Manager, Mr. Romillas S. Pascual, confirming that the amount of ₱1,062,108,836.91 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that INEC is consistent in availing of the three per cent (3%) prompt payment discount from May 1990 to September 2002;
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.

INEC 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 LGU Legislative Bodies of the Municipalities and Cities within INEC's area of coverage; and b) the affidavits of publication executed by Ms. Bella B. Navarro, an Editorial Staff of The Ilocos Times and Mr. Remigio U. Bumanglag, Publisher of The Northern LIGHT *Newsweekly* attesting to the publications of the Notice of Application.

I. SUMMARY OF INEC's APPLICATION

INEC's proposed rate reduction was computed as follows¹:

Annual Amortization of Condoned Loans (Outstanding as of June 26, 2001)	₱ 9,106,800.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>123,283,642 kWh</u>
Rate Reduction	₱ 0.0739/kWh

¹ Based on Annex "B" – Rate Calculation submitted by INEC.

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1. Loan Profile

Mr. Romillas S. Pascual, INEC's General Manager, issued a Sworn Statement/Affirmation affirming that INEC's total loans to be condoned out of the loans with NEA is in the amount of ₱ 1,062,108,836.91.

The Commission noted that the NEA Loan Profile as of June 26, 2001 submitted by INEC showed a negligible discrepancy of ₱0.03 between the books of NEA and INEC's confirmation submitted to COA, as follows:

	Per NEA (In Pesos)	Per INEC (In Pesos)
Total Outstanding Loan as of June 26, 2001	1,062,108,836.91	1,062,108,836.88

The NEA Loan Profile submitted by INEC 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 INEC for the twelve months ending June 30, 2002:

Customer Class	Total Sales (kWh) ²
Residential/BAPA	73,836,828
Small Commercial	8,570,451
Large Commercial	22,645,543
Industrial	4,827,666
Irrigation	2,301,965
Public Buildings	9,613,067
Street Lights	1,488,122
Total	123,283,642

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

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 INEC in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by INEC as the billing determinant were correct vis-à-vis its submitted MFSRs.

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

The rate reduction was computed as follows:

Annual Amortization of Condoned Loans (Outstanding as of June 26, 2001)	₱ 9,106,800.80
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>123,283,642 kWh</u>
Rate Reduction	₱ 0.0739/kWh

Section 2, Rule 31 of the Implementing Rules and Regulations (IRR) of R. A. No. 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, Ilocos Norte Electric Cooperative, Inc. (INEC) is hereby granted a provisional authority to reduce its rates by

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

₱0.0739/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 INEC 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, INEC 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, INEC is directed to submit the following requirements:

- 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.

INEC 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 May 22, 2003 at nine o'clock (9:00 A.M.) in the morning at the Rock Garden Resort, Arnido, Bolinao, Pangasinan.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Municipal/City Mayors of Adams, Bacarra, Badoc, Bangui, Banna, Batac, Burgos, Carasi, Currimao, Dingras, Dumalneg, Marcos, Nueva Era, Pagudpud, Paoay, Pasuquin, Piddig, Pinili, San Nicolas, Sarrat, Solsona, Vintar and Laoag City, all in the Province of Ilocos Norte, 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.

INEC 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 INEC on the date of the initial hearing.

SO ORDERED.

Pasig City, March 21, 2003.

(Sgd) LETICIA V. IBAY
Acting Chairman

(Sgd) MARY ANNE B. COLAYCO
Commissioner

(Sgd) OLIVER B. BUTALID
Commissioner

(Sgd) CARLOS R. ALINDADA
Commissioner

Copy furnished:

1. Atty. Zenon S. Suarez
Counsel for Petitioner/Applicant
4/F Casman Bldg., 1198 Quezon Avenue.,
Quezon City

2. Ilocos Norte Electric Cooperative, Inc.
Attn: Mr. Romillas S. Pascual
Dingras, Ilocos Norte
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
City of Makati - 1229
4. Commission on Audit
Commonwealth Avenue
Quezon City - 1121
5. Fr. Jose Silva
Administrator
National Electrification Administration (NEA)
NIA Road, Diliman, Quezon City
6. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City - 1300
7. House Committee on Energy
Batasan Hills, Quezon City - 1126
8. Power Sector Assets & Liabilities Management Corporation
2nd Floor SGV II Building
Ayala, Avenue, Makati City
9. The City Mayor
Laoag City, Ilocos Norte
10. The Municipal Mayor
Adams, Ilocos Norte
11. The Municipal Mayor
Bacarra, Ilocos Norte
12. The Municipal Mayor
Badoc, Ilocos Norte
13. The Municipal Mayor
Bangu, Ilocos Norte
14. The Municipal Mayor
Banna, Ilocos Norte
15. The Municipal Mayor
Batac, Ilocos Norte
16. The Municipal Mayor
Burgos, Ilocos Norte
17. The Municipal Mayor
Carasi, Ilocos Norte
18. The Municipal Mayor
Currimao, Ilocos Norte
19. The Municipal Mayor
Dingras, Ilocos Norte
20. The Municipal Mayor
Dumalneg, Ilocos Norte

21. The Municipal Mayor
Marcos, Ilocos Norte
22. The Municipal Mayor
Nueva Era, Ilocos Norte
23. The Municipal Mayor
Pagudpud, Ilocos Norte
24. The Municipal Mayor
Paoay, Ilocos Norte
25. The Municipal Mayor
Pasuquin, Ilocos Norte
26. The Municipal Mayor
Piddig, Ilocos Norte
27. The Municipal Mayor
Pinili, Ilocos Norte
28. The Municipal Mayor
San Nicolas, Ilocos Norte
29. The Municipal Mayor
Sarrat, Ilocos Norte
30. The Municipal Mayor
Solsona, Ilocos Norte
31. The Municipal Mayor
Vintar, Ilocos Norte