

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. 2003-62

ILOILO II ELECTRIC COOPERATIVE, INC.  
(ILELCO II),

Applicant.

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**O R D E R**

Before this Commission for resolution is the application filed on February 13, 2003 by applicant Iloilo II Electric Cooperative, Inc. (ILECO II) for approval of a reduction in rates and loan condonation in compliance with Section 60 of Republic Act No. 9136 and Executive Order No. 119, with prayer for provisional authority.

In the said application, ILECO II prayed that the rate reduction equivalent to ₱0.1094/kWh be provisionally and immediately approved ex-parte; that it be authorized to adopt and implement the same 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, ILECO II submitted the following documents in compliance with the requirements set forth 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 ₱184,816,935.09 as ILECO II'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 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 ILECO II, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by ILECO II's General Manager, Mr. Abelardo A. Bacalocos, confirming that the amount of ₱184,816,935.09 are due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that ILECO II 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.

ILECO II 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 Cities within ILECO II's area of coverage; and c) the affidavit of publication executed by Mr. Daniel G. Fajardo, Editor-In-Chief of Panay News, attesting to the publication of the Notice of Application.

### **I. SUMMARY OF ILECO II's APPLICATION**

ILECO II's proposed rate reduction was computed as follows<sup>1</sup>:

Annual Amortization of Condoned Loans	₱ 5,895,600.00
Divide by Total Average kWh Sales (for the twelve months Ending June 2002)	53,873,796 kWh
<b>Rate Reduction</b>	<b>₱ 0.1094kWh</b>

### **II. COMMISSION DISCUSSIONS AND CONCLUSIONS**

#### **II.A.1 Loan Profile**

Mr Abelardo A. Bacalocos, ILECO II's General Manager, issued a Sworn Statement/Affirmation affirming that ILECO II's total loans to be condoned out of the loans with NEA is in the amount of ₱184,816,935.09.

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

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<sup>1</sup> Based on Annex "B" – Rate Calculation submitted by ILECO II.

**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 ILECO II for the twelve (12) months ending June 30, 2002:

<b>Customer Class</b>	<b>Total Sales (kWh)<sup>2</sup></b>
Residential	34,592,894
Commercial	7,282,048
Industrial	4,877,302
Public Building	3,711,534
Street Lights	569,283
BAPA	2,397,078
CAPELCO/ILECO 3	1,497,968
<b>Sub-Total</b>	<b>54,928,107</b>
Less: Sale to CAPELCO/ILECO 3	1,497,968
<b>Total</b>	<b>53,430,139</b>

The data on energy sales were verified because this will serve as the billing determinant<sup>3</sup> 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 ILECO II in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by ILECO II as the billing determinant were correct vis-à-vis its submitted MFSRs.

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<sup>2</sup> Based on Annex "A" Schedule B of ILECO II's application.

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

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

ILECO II proposed a rate reduction in the amount of P0.1094. However, an evaluation of the documents submitted by ILECO II disclosed that said rate reduction should be in the amount of P0.1103. The rate reduction was computed as follows:

Annual Amortization based on the amortization cost incorporated In ILECO II last approved rate	₱ 5,895,600.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>53,430,139 kWh</u>
<b>Rate Reduction</b>	<b>₱ 0.1103/kWh</b>

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, Iloilo II Electric Cooperative, Inc. (ILECO II) is hereby granted a provisional authority to reduce its rates by ₱0.1103/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 ILECO II 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, ILECO II 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 (20<sup>th</sup>) 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, ILECO II is directed to submit the following documents/data:

- 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 of 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.

ILECO II is reminded to furnish the legislative body of the Local Government Unit of the locality where it principally operates 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 April 25, 2003 at one o'clock (1:00 P.M.) in the afternoon at the Iloilo I Electric Cooperative, Inc.'s (ILECO I) Multi-Purpose Hall, Barangay Namucon, Tigbauan, Iloilo City.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Badiangan, Bingawan, Barotoc Nuevo, Calinog, Dingle, Dueñas, Dumagas, Janluay, Lambunao, Mina, New Lucena, Passi, Pototan, San Enrique and Zarraga, all in the Province of Iloilo, 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 National Electrification Administration (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.

ILECO II 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 the herein applicant on the date of the initial hearing.

SO ORDERED.

Pasig City, March 10, 2003.

**(Sgd) LETICIA V. IBAY**  
**Acting Chairman**

**(Sgd) MARY ANNE B. COLAYCO**  
**Commissioner**

**(Sgd) OLIVER B. BUTALID**  
**Commissioner**

**(Sgd) CARLOS R. ALINDADA**  
**Commissioner**

FGB/  
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Copy furnished:

1. Atty. Zenon S. Suarez  
Counsel for Applicant  
4/F Casman Bldg., 1198 Quezon Avenue  
Quezon City
2. ILOILO II ELECTRIC COOPERATIVE, INC. (ILECO II)  
Attn: MR. ABELARDO A. BACALOCOS – General Manager  
Brgy. Cauayan, Pototan, Iloilo City
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  
2<sup>nd</sup> Floor SGV II Building  
Ayala, Avenue, Makati City
9. The Municipal Mayor  
Badiangan, Iloilo
10. The Municipal Mayor  
Barotoc Nuevo, Iloilo
11. The Municipal Mayor  
Bingawan, Iloilo
12. The Municipal Mayor  
Calinog, Iloilo
13. The Municipal Mayor  
Dingle, Iloilo
14. The Municipal Mayor  
Duenas, Iloilo
15. The Municipal Mayor  
Dumangas, Iloilo
16. The Municipal Mayor  
Janluay, Iloilo
17. The Municipal Mayor  
Lambunao, Iloilo

18. The Municipal Mayor  
Mina, Iloilo
19. The Municipal Mayor  
New Lucena, Iloilo
20. The Municipal Mayor  
Passi, Iloilo
21. The Municipal Mayor  
Potolan, Iloilo
22. The Municipal Mayor  
San Enrique, Iloilo
23. The Municipal Mayor  
Zarraga, Iloilo
24. The Municipal Mayor  
Nuevo, Iloilo
25. The Provincial Governor  
Iloilo City
26. HON. ERNESTO PABLO  
House of Representatives  
Batasan Hills, Quezon City