

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. 2003-24

ILOCOS SUR ELECTRIC COOPERATIVE,
INC. (ISECO),

Applicant.

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O R D E R

Before this Commission for resolution is the application filed on January 14, 2003 by applicant Ilocos Sur Electric Cooperative, Inc. (ISECO) 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, ISECO prayed that the rate reduction equivalent to ₱0.0858/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, ISECO 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 ₱190,979,096.26 as ISECO'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 in ISECO'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 ISECO, and found the same to be true and correct;
3. Sworn Statements/Affirmations executed by ISECO's General Manager, Mr. Cesar G. Gironella, affirming that the total loan of ISECO to be condoned out of the loans taken from NEA is in the amount of ₱190,979,096.25;
4. Certifications from the National Power Corporation (NPC) attesting that ISECO is current in the payment of its power accounts and is consistently availing of the 3% prompt payment discount and that it has a good credit standing with NPC Northern Luzon TransCo;
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.

ISECO 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 ISECO's area of coverage; and b) the affidavit of publication executed by Mr. Salvador A. Espejo, Circulation Manager of Saringit Chronicle, attesting to the publication of the Notice of Application.

I. SUMMARY OF ISECO's APPLICATION

ISECO's proposed rate reduction was computed as follows¹:

Annual Amortization of Condoned Loans	₱ 8,894,400.00
Divide by Total Average kWh Sales (for the twelve months Ending June 2002)	103,631,392 kWh
Rate Reduction	₱ 0.0858 /kWh

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

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Mr. Cesar G. Gironella, ISECO's General Manager, issued a Sworn Statement/Affirmation affirming that ISECO's total loan to be condoned out of the loans with NEA is in the amount of ₱190,979,096.25.

The NEA Loan Profile submitted by ISECO 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 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 ISECO in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed a discrepancy between the data in energy sales used by ISECO as the billing determinant for its proposed rate reduction vis-à-vis the data contained in its submitted MFSRs.

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

Customer Class	Total Sales (kWh) ²
Residential	64,530,107
Commercial	18,409,490
Industrial	2,012,589
Irrigation	394,357
Public Building	5,863,819
Street Lights	574,384
BAPA	9,830,384
Large Load	2,012,204
Sister Coop	4,054
ISECO's Total	103,631,392

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

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

Add/(Less)	
Variance in July Sales as reflected in MFSR	
MFSR – 6,227,861	
Annex A – <u>8,333,083</u>	(2,105,222)
Variance in Sales to Residential Accounts	
MFSR – 5,256,624	
Annex A – <u>5,265,624</u>	(9,000)
Sale to Sister Coop	(4,054)
ADJUSTED TOTAL	101,513,116

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

For purposes of determining the provisional rate reduction to be granted, the Commission adopted the energy sales data of ISECO as contained in its MFSRs, on the assumption that these data tend to be more accurate. The Commission also deducted the energy sales of ISECO to its sister cooperative as the same are not considered in the computation of the loan amortization to NEA. The rate reduction was therefore computed using an adjusted billing determinant of 101,513,116 kWh, as follows:

Annual Amortization based on the amortization cost incorporated in ISECO last approved rate (P 740,388 x 12)	₱ 8,884,656.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>101,513,116 kWh</u>
Rate Reduction	₱ 0.08752/kWh

DISPOSITION

WHEREFORE, the foregoing premises considered, Ilocos Sur Electric Cooperative, Inc. (ISECO) is hereby granted a provisional authority to reduce its rates by ₱0.08752/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 ISECO 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, ISECO 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 (Section 6 Rule 31);

Finally, ISECO 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.

ISECO 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 May 22, 2003 at ten-thirty (10:30 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 Banayoyo, Bantay, Burgos, Cabugao, Cauayan, Galimuyod, Lidlidda, Magsingal, Nabukel, Narvacan, Salcedo,

San Esteban, San Ildefonso, San Juan, Santa, Santiago, San Vicente, Sta. Catalina, Sta. Cruz, Sta. Lucia, Sta. Maria, Sto. Domingo, Sinait, Suyo, Tagudin, San Emilio, Alilem, Cervantes, Del Pilar, Quirino, Sugpon, Candon City and Vigan City, all in the Province of Ilocos 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.

ISECO 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 ISECO 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 Sur Electric Cooperative, Inc.
Attn: Cesar G. Gironella
Bigbiga, Santiago, Ilocos Sur
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, 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
Candon City, Ilocos Sur
10. The Municipal Mayor
Banayoyo, Ilocos Sur
11. The Municipal Mayor
Bantay, Ilocos Sur
12. The Municipal Mayor
Burgos, Ilocos Sur
13. The Municipal Mayor
Cabugao, Ilocos Sur
14. The Municipal Mayor
Cauayan, Ilocos Sur
15. The Municipal Mayor
Galimuyod, Ilocos Sur
16. The Municipal Mayor
Lidlidda, Ilocos Sur
17. The Municipal Mayor
Magsingal, Ilocos Sur
18. The Municipal Mayor
Nabukel, Ilocos Sur
19. The Municipal Mayor
Narvacan, Ilocos Sur

20. The Municipal Mayor
Salcedo, Ilocos Sur
21. The Municipal Mayor
San Esteban, Ilocos Sur
22. The Municipal Mayor
San Ildefonso, Ilocos Sur
23. The Municipal Mayor
San Juan, Ilocos Sur
24. The Municipal Mayor
Santa, Ilocos Sur
25. The Municipal Mayor
Santiago, Ilocos Sur
26. The Municipal Mayor
San Vicente, Ilocos Sur
27. The Municipal Mayor
Sta. Catalina, Ilocos Sur
28. The Municipal Mayor
Sta. Cruz, Ilocos Sur
29. The Municipal Mayor
Sta. Lucia, Ilocos Sur
30. The Municipal Mayor
Sta. Maria, Ilocos Sur
31. The Municipal Mayor
Sto. Domingo, Ilocos Sur
32. The Municipal Mayor
Sinait, Ilocos Sur
33. The Municipal Mayor
Suyo, Ilocos Sur
34. The Municipal Mayor
Tagudin, Ilocos Sur
35. The City Mayor
Vigan City, Ilocos Sur
36. The Municipal Mayor
San Emilio, Ilocos Sur
37. The Municipal Mayor
Alilem, Ilocos Sur
38. The Municipal Mayor
Cervantes, Ilocos Sur
39. The Municipal Mayor
Del Pilar, Ilocos Sur
40. The Municipal Mayor
Quirino, Ilocos Sur
41. The Municipal Mayor
Sugpon, Ilocos Sur