

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. 2003-58

BOHOL I ELECTRIC COOPERATIVE,
INC. (BOHECO I),

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 Bohol I Electric Cooperative, Inc. (BOHECO I) 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, BOHECO I prayed that the rate reduction equivalent to P0.1026/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, BOHECO I 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 P132,181,039.25 as BOHECO I'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 BOHECO I, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by BOHECO I's General Manager, Mr. Carlos B. Itable, confirming that the amount of P132,181,039.25 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that BOHECO I 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.

BOHECO I 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 BOHECO I's area of coverage; and b) the affidavit of publication executed by Mr. Ciriaco B. Guinguing, Publisher, Bohol Sunday Post, attesting to the publication of the Notice of Application.

I. SUMMARY OF BOHECO I's APPLICATION

BOHECO I's proposed rate reduction was computed as follows¹:

Monthly Amortization of Loans Incorporated in Existing Rates	
NEA Loans	P 406,100
Divide by Monthly Average Sales (for the twelve months Ending June 2002)	<u>3,958,095kWh</u>
Rate Reduction	P 0.1026/kWh

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

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Mr. Carlos B. Itable, BOHECO I's General Manager, issued a Sworn Statement/Affirmation confirming that BOHECO I's total loans to be condoned out of the loans with NEA is in the amount of P132,181,039.25.

A comparative analysis was made by the Commission to reconcile the discrepancy noted in the NEA Loan Profile as of June 26, 2001 vis-a-vis the total amount indicated in BOHECO I's application, as shown below:

	Per NEA (In Pesos)	Per BOHECO I (In Pesos)
Total Outstanding Loan as of June 26, 2001	133,737,290.25	132,181,039.25
Less: Loans to be paid by BOHECO I	1,556,251.00	0
Adjusted Outstanding Loan as of June 26, 2001	132,181,039.25	132,181,039.25

Based on the written explanation submitted by BOHECO I, the above loans, namely: A-HQ (A-Headquarters) and E-HQ (E-Headquarters) were not directly utilized for Rural Electrification Program. Accordingly, NEA did not consider the same for condonation. This was confirmed by NEA.

The NEA Loan Profile submitted by BOHECO I 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 BOHECO I for the twelve (12) months ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	22,022,782
Commercial	7,957,649
Industrial	7,152,854
Public Building	1,771,547
Street Lights	840,895
Irrigation	3,973
Water System	2,305,486
BAPA	2,188,622
ECA	2,984,604
Cabilao Power Plant	120,480
Island Barangays	148,250
Total	47,497,142

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

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

³ 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

The rate reduction was computed as follows:

Annual Amortization of Loans Incorporated in Existing Rates	
NEA Loans	P 4,873,800
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>47,497,142kWh</u>
Rate Reduction	P 0.1026/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).

Hence, for purposes of determining the propriety of a provisional authority, the Commission considered BOHECO I's proposal in the amount of P0.1026/kWh for being consistent with the clear intent of the law which provides that the reduction in the rates of the electric cooperatives should be commensurate with the resulting savings due to the removal of the amortization payments of their outstanding loans as of June 26, 2001.

DISPOSITION

WHEREFORE, the foregoing premises considered, BOHOL I Electric Cooperative, Inc. (BOHECO I) is hereby granted a provisional authority to reduce its rates by P0.1026/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 BOHECO I 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, BOHECO I 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, BOHECO I 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.

BOHECO I 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 8, 2003 at nine o'clock (9:00 A.M.) in the morning at the Cebu III Electric Cooperative, Inc.'s (CEBECO III) Auditorium, Sepaway, Toledo City, Cebu.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Albuquerque, Antequera, Baclayon, Balilihan, Batuan, Bilar, Calape, Carmen, Catigbian, Clarin, Corella, Cortes, Daus, Dimiao, Inabanga, Lila, Loay, Loboc, Loon, Maribojoc, Panglao, Sagbayan, San Isidro, Sevilla, Sikatuna, and Tubigon, all in the Province of Bohol, 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.

BOHECO I is hereby directed to publish, at its own expense, the attached Notice of Public Hearing at least twice (2x) 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 BOHECO I on the date of the initial hearing.

SO ORDERED.

Pasig City, March 17, 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. Bohol I Electric Cooperative, Inc. (BOHECO I)
Attn: Mr. Carlos Itable
Bohol I Electric Cooperative, Inc. (BOHECO I)
Macaas, Tubigon, Bohol
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. Congressman Roberto C. Cajés
House of Representatives
Batasan Hills, Quezon City 1126
10. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Diliman, Quezon City 1126
11. Office of the Municipal Mayor
Antequera, Bohol
12. Office of the Municipal Mayor
Baclayon, Bohol
13. Office of the Municipal Mayor
Balilihan, Bohol
14. Office of the City Mayor
Tagbilaran, Bohol
15. Office of the Municipal Mayor
Alburquerque, Bohol
16. Office of the Municipal Mayor
Batuan, Bohol

17. Office of the Municipal Mayor
Bilar, Bohol
18. Office of the Municipal Mayor
Calape, Bohol
19. Office of the Municipal Mayor
Carmen, Bohol
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Catigbian, Bohol
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Clarin, Bohol
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Corella, Bohol
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Dimiao, Bohol
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Inabanga, Bohol
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Lila, Bohol
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Loay, Bohol
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Loboc, Bohol
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Loon, Bohol
33. Office of the Municipal Mayor
Maribojoc, Bohol
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Panglao, Bohol
35. Office of the Municipal Mayor
Sagbayan, Bohol
36. Office of the Municipal Mayor
San Isidro, Bohol
37. Office of the Municipal Mayor
Sevilla, Bohol

38. Office of the Municipal Mayor
Sikatuna, Bohol

39. Office of the Municipal Mayor
Tubigon, Bohol