

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. 2003-20

CAPIZ ELECTRIC COOPERATIVE, INC.  
(CAPELCO),

Applicant.

x-----x

**D O C K E T E D**

Date: MAR 18 2003

By: *AW*

**O R D E R**

Before this Commission for resolution is the application filed on January 13, 2003 by applicant Capiz Electric Cooperative, Inc. (CAPELCO) 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, CAPELCO prayed that the rate reduction equivalent to ₱ 0.0902/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, CAPELCO 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 ₱ 216,722,909.43 as CAPELCO'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 CAPELCO and found the same to be true and correct;
3. Sworn Statements/Affirmations executed by CAPELCO's General Manager, Engr. Edgar D. Diaz, confirming that the amount of ₱ 216,722,909.43 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that CAPELCO is current in the payment of its obligations and that it has a duly executed agreement containing a sustainable payment agreement;
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.

CAPELCO 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 Roxas City and the Municipalities within CAPELCO's area of coverage; and c) the affidavit of publication executed by Mr. David G. Fajardo, Editor-In-Chief of Panay News attesting to the publication of the Notice of Application.

## I. SUMMARY OF CAPELCO's APPLICATION

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

Annual Amortization of Condoned Loans (Outstanding as of June 26, 2001)	₱ 7,826,400.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>86,759,176.91 kWh</u>
Rate Reduction	₱ 0.0902/kWh

## II. COMMISSION DISCUSSIONS AND CONCLUSIONS

### II.A.1. Loan Profile

Engr. Edgar D. Diaz, CAPELCO's General Manager, issued a Confirmation affirming that CAPELCO's total loans to be condoned out of the loans with NEA is in the amount of ₱ 216,722,909.43.

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

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

**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 CAPELCO for the twelve months ending June 30, 2002:

<b>Customer Class</b>	<b>Total Sales (kWh)<sup>2</sup></b>
Residential	37,944,100.23
Commercial	25,153,580.62
Industrial	5,807,278.00
Public Building	3,600,960.92
Street Lights	856,362.34
BAPA	13,271,636.80
Irrigation	80,920.00
Sale for Resale	44,338.00
<b>Total</b>	<b>86,759,176.91</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 CAPELCO in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by CAPELCO 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:

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

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

Annual Amortization of Condoned Loans (Outstanding as of June 26, 2001)	₱ 7,826,400.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>86,759,176.91 kWh</u>
<b>Rate Reduction</b>	<b>₱ 0.0902/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, Capiz Electric Cooperative, Inc. (CAPELCO) is hereby granted a provisional authority to reduce its rates by ₱ 0.0902/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 CAPELCO 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, CAPELCO 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 (Section 6 Rule 31);

Finally, CAPELCO 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.

CAPELCO is further directed 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 nine o'clock (9:00 A.M.) in the morning at the ILECO I Multi-Purpose Hall, Barangay Namucon, Tigbauan, Iloilo.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Cuartero, Dao, Dumalag, Dumarao, Ivisan, Jamindan, Maayaon, Mambusao, Panay, Panitan, Pilar, Pontevedra, Pres. Roxas, Roxas City, Sapi-an, Sigma, Tapaz all in the Province of Capiz, 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.

CAPELCO 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.

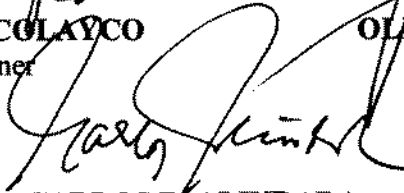
SO ORDERED.

Pasig City, March 4, 2003.

  
LETICIA V. IBAY  
Acting Chairman

  
MARY ANNE B. COLAYCO  
Commissioner

  
OLIVER B. BUTALID  
Commissioner

  
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. Capiz Electric Cooperative, Inc.  
Attn: Engr. Edgar D. Diaz  
Panitan, Capiz
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 City Mayor  
Roxas City, Capiz
10. The Municipal Mayor  
Cuartero, Capiz
11. The Municipal Mayor  
Dao, Capiz
12. The Municipal Mayor  
Dumalag, Capiz
13. The Municipal Mayor  
Dumarao, Capiz
14. The Municipal Mayor  
Ivisan, Capiz
15. The Municipal Mayor  
Jamindan, Capiz
16. The Municipal Mayor  
Maayon, Capiz
17. The Municipal Mayor  
Mambusao, Capiz
18. The Municipal Mayor  
Panay, Capiz
19. The Municipal Mayor  
Panitan, Capiz
20. The Municipal Mayor  
Pilar, Capiz
21. The Municipal Mayor  
Pontevedra, Capiz
22. The Municipal Mayor  
Pres. Roxas, Capiz
23. The Municipal Mayor  
Sapi-an, Capiz
24. The Municipal Mayor  
Sigma, Capiz
25. The Municipal Mayor  
Tapaz, Capiz