

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. 2003-123

FIRST LANA DEL NORTE ELECTRIC
COOPERATIVE, INC. (LANECO),

Applicant.

x-----x

O R D E R

Before this Commission for resolution is the application filed on March 18, 2003 by applicant First Lanao del Norte Electric Cooperative, Inc. (LANECO) 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, LANECO prayed that the rate reduction equivalent to ₱0.1214/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, LANECO submitted the following documents in compliance with the requirements indicated in

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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 ₱32,507,813.70 as LANECO'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) 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 LANECO, and found the same to be true and correct;
3. Sworn Statement/Affirmation executed by LANECO's General Manager, Engr. Resnol C. Torres, that the amount of ₱32,507,813.70 is due and outstanding;
4. Certification from the National Power Corporation (NPC) attesting that it 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.

LANECO 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 within LANECO's area of coverage; and b) the affidavit of publication executed by Mr. Ernesto G. Chu, Publisher/President of Mindanao Gold Star Daily, attesting to the publication of the Notice of Application.

I. SUMMARY OF LANECO's APPLICATION

LANECO's proposed rate reduction was computed as follows¹:

Annual Amortization of Assumed Loans	₱ 4,391,352.00
Divide by Annual kWh Sales (for the twelve months Ending June 2002)	<u>34,059,718 kWh</u>
Rate Reduction	₱ 0.1289/kWh
Less: Loan balance after June 26, 2001	0.0075
Net Rate Reduction	₱= 0.1214/kWh

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Engr. Resnol C. Torres, LANECO's General Manager, issued a Sworn Statement/Affirmation confirming that LANECO's total loans to be condoned is in the amount of ₱32,507,813.70.

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

¹ Based on Annex "B" – Rate Calculation submitted by LANECO

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 LANECO for the twelve months ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	20,971,266
Commercial	5,574,879
Industrial	4,888,038
Irrigation	397,020
Public Building	1,861,544
Street Lights	366,971
Total	34,059,718

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 LANECO in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by LANECO 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 based on the amortization cost incorporated In LANECO's last approved rate (₱344,506.00 x 12)	₱ 4,134,072.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>34,059,718 kWh</u>
Rate Reduction	₱ 0.1214/kWh

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

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

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, applicant First Lanao del Norte Electric Cooperative, Inc. (LANECO) is hereby granted a provisional authority to reduce its rates by ₱0.1214/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 LANECO 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, LANECO 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, LANEKO is directed to submit the following requirements on or before the scheduled initial hearing:

- 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.

LANECO 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 July 8, 2003 at nine o'clock (9:00 A.M.) in the morning at National Electrification Administration Regional Office, Cagayan de Oro City.

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Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal Mayors of Bacolod, Baroy, Kapatagan, Karomatan, Kolambugan, Kauswagan, Lala, Linawon, Magsaysay, Maigo, Matungao, Salvador, Sapad, Tangcal, Tubod, Munai, Nunungan and Baloi, all in the Province of Lanao del 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.

LANECO 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 LANECO on the date of the initial hearing.

SO ORDERED.

Pasig City, May 7, 2003.

MANUEL R. SANCHEZ
Chairman

MARY ANNE B. COLAYCO
Commissioner

OLIVER B. BUTALID
Commissioner

CARLOS R. ALINDADA
Commissioner

LETICIA V. IBAY
Commissioner

/CCC

Copy furnished:

1. Atty. Zenon S. Suarez
Counsel for Applicant
4/F Casman Building
1198 Quezon Avenue, Quezon City 1100
2. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
City of Makati 1229
3. Commission on Audit
Commonwealth Avenue
Quezon City 0880

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4. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City 1307
5. House Committee on Energy
Batasan Hills, Quezon City 1126
6. The Municipal Mayor
Bacolod, Lanao del Norte 9205
7. The Municipal Mayor
Baloï, Lanao del Norte 9217
8. The Municipal Mayor
Baroy, Lanao del Norte 9210
9. The Municipal Mayor
Kapatagan, Lanao del Norte 9214
10. The Municipal Mayor
Karomatan, Lanao del Norte 9215
11. The Municipal Mayor
Kauswagan, Lanao del Norte 9202
12. The Municipal Mayor
Kolambugan, Lanao del Norte 9207
13. The Municipal Mayor
Lala, Lanao del Norte 9211
14. The Municipal Mayor
Linamon, Lanao del Norte 9201
15. The Municipal Mayor
Magsaysay, Lanao del Norte 9221
16. The Municipal Mayor
Maigo, Lanao del Norte 9206
17. The Municipal Mayor
Matungao, Lanao del Norte 9203
18. The Municipal Mayor
Munai, Lanao del Norte 9219

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19. The Municipal Mayor
Nunungan, Lanao del Norte 9216
20. The Municipal Mayor
Salvador, Lanao del Norte 9212
21. The Municipal Mayor
Sapad, Lanao del Norte 9213
22. The Municipal Mayor
Tangcal, Lanao del Norte 9220
23. The Municipal Mayor
Tubod, Lanao del Norte 9209
24. First Lanao del Norte Electric Cooperative, Inc.
Tubod, Lanao del Norte 9209
25. National Electrification Administration
NIA Road, Diliman, Quezon City 1128
26. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Diliman, Quezon City 1126

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FIRST LANA O DEL NORTE
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x ----- x

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given of the filing by applicant First Lanao del Norte Electric Cooperative, Inc. (LANECO) on March 18, 2003 of an 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, docketed as ERC Case No. 2003-123. The applicant proposed a reduction in rates equivalent to ₱0.1214/kWh.

The Commission has set the application for hearing on July 8, 2003 at nine o'clock (9:00 A. M.) in the morning at National Electrification Administration Regional Office, Cagayan de Oro City.

All interested parties who may wish to comment on or oppose the said application should file their comments and/or oppositions on or before the date of hearing. Such parties who may wish to have the details of the application and who shall have manifested to the Commission their

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Notice of Public Hearing

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desire and intention to participate actively in the proceedings, may request that before the date of hearing, they be furnished with copies of the application by the applicant, which is hereby directed to furnish the parties making such request with copies of the application and its attachments. Likewise, any such interested party may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable **MANUEL R. SANCHEZ**, Chairman, and the Honorable **MARY ANNE B. COLAYCO**, **OLIVER B. BUTALID**, **CARLOS R. ALINDADA** and **LETICIA V. IBAY**, Commissioners, Energy Regulatory Commission, this 7th day of May, 2003 at Pasig City.

ATTY. FRUCTUOSO C. LAGUNZAD, JR.
Executive Director III

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