

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. 2003-101

SAMAR II ELECTRIC
COOPERATIVE, INC. (SAMELCO II),
Applicant.

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O R D E R

Before this Commission for resolution is the application filed on March 12, 2003 by applicant Samar II Electric Cooperative, Inc. (SAMELCO 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, SAMELCO II prayed that the rate reduction equivalent to ₱0.3883/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, SAMELCO II 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 ₱127,302,123.57 as SAMELCO 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 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 SAMELCO II, and found the same to be true and correct;
3. Certification executed by SAMELCO II's General Manager, Mr. Ponciano R. Rosales, confirming that the amount of ₱127,302,123.57 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.

SAMELCO 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 LGU Legislative Bodies of the Municipalities and Cities within SAMELCO II's area of coverage; and b) the affidavit of publication executed by Mr. Tony A. Ramento, Editor-In-Chief of The Reporter, Inc., attesting to the publication of the Notice of Application.

I. SUMMARY OF SAMELCO II's APPLICATION

SAMELCO II's proposed rate reduction was computed as follows¹:

Monthly Amortization of Condoned Loans	₱ 853,350.00
Divide by Average Monthly kWh Sales (for the twelve months Ending June 2002)	<u>2,197,582 kWh</u>
Rate Reduction	₱ 0.3883/kWh

II. COMMISSION DISCUSSIONS AND CONCLUSIONS

II.A.1 Loan Profile

Mr. Ponciano R. Rosales, SAMELCO II's General Manager, issued Certification affirming that SAMELCO II's total loan to be condoned out of the loans with NEA is in the amount of ₱127,302,123.57.

¹ Based on Annex "B" – Rate Calculation submitted by SAMELCO II

The NEA Loan Profile submitted by SAMELCO II 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 SAMELCO II for the twelve months ending June 30, 2002:

Customer Class	Total Sales (kWh)²
Residential	14,453,356
Commercial	3,767,328
Industrial	209,340
Public Building	3,096,795
Street Lights	1,024,714
BAPA	2,086,551
Sale for Resale	1,732,894
SAMELCO's Total	26,370,978
Less: Variance in MFSR vs, Schedule B-Annex A for the ff. months:	
May MFSR - 2,325,884	
Sch. B Annex A - <u>2,716,673</u>	390,789
June MFSR - 2,433,880	
Sch. B Annex A - <u>2,824,659</u>	390,779
Adjusted Total	25,589,410

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 SAMELCO II in its regular submission of Monthly and Financial Statistical Reports (MFSRs). Said verification showed that the energy sales used by SAMELCO II as the billing determinant were incorrect vis-à-vis its submitted MFSRs. A variance of 781,568

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

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

kWh was noted comparing the May and June 2002 submissions vis-à-vis the MFSR for the said months.

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 SAMELCO II's last approved rate (₱ 853,350.00 x 12)	₱ 10,240,200.00
Divide by Total Annual Sales (for the twelve months Ending June 2002)	<u>25,589,410 kWh</u>
Rate Reduction	₱ 0.4002/kWh

DISPOSITION

WHEREFORE, the foregoing premises considered, applicant Samar II Electric Cooperative, Inc. (SAMELCO II) is hereby granted a provisional authority to reduce its rates by ₱0.4002/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 SAMELCO 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, SAMELCO 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 (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, SAMELCO II 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.

SAMELCO II is further directed 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 July 11, 2003, at ten o'clock (10:00 A.M.) in the morning at LEYECO II, Real St. Tacloban City.

Let copies of this Order and the attached Notice of Public Hearing be furnished the Municipal/City Mayors of Basey, Calbiga, Catbalogan, Hinabangan, Jiabong, Motiong, Pinabacdao, San Sebastian, Sta. Rita, Talalora, Villareal, Wright and Marabut, all in the Province of Samar, 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.

SAMELCO 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 SAMELCO II 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

Njs/samelcoii

Copy furnished:

1. Atty. Zenon S. Suarez
4/F Casman Bldg.,
1198 Quezon Avenue
Quezon City
2. The Office of the Solicitor General
134 Amorsolo St., Legaspi Village,
Makati City
3. Samar II Electric Cooperative. Inc (SAMELCO II)
Caraycaray, Naval, Biliran
4. House Committee on Energy
Batasan Hills, Quezon City
5. Senate Committee on Energy
GSIS Building, Roxas Blvd.,
Pasay City
6. Committee on Energy
House of Representative
Batasan Hill, Quezon City
7. National Electricification Administration (NEA)
NIA Road, Diliman, Quezon City
8. Power Sector Assets & Liabilities Management Corporation
2nd Floor SGV II Building
Ayala Avenue, Makati City
9. Congressman Ernesto C. Pablo
House of Representatives
Batasan Hills, Quezon City 1126
10. The Municipal Mayor
Basey, Samar
11. The Municipal Mayor
Calbiga, Samar
12. The Municipal Mayor
Catbalogan, Samar

13. The Municipal Mayor
Hinabangan, Samar
14. The Municipal Mayor
Jiabong, Samar
15. The Municipal Mayor
Motiong, Samar
16. The Municipal Mayor
Pinabacdao, Samar
17. The Municipal Mayor
San Sebastian, Samar
18. The Municipal Mayor
Sta. Rita, Samar
19. The Municipal Mayor
Tlalora, Samar
20. The Municipal Mayor
Villareal, Samar
21. The Municipal Mayor
Wright, Samar
22. The Municipal Mayor
Marabut, Samar
18. Office of the Governor
Province of Samar

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given of the filing by applicant Samar II Electric Cooperative, Inc. (SAMELCO II) on March 12, 2003 of an application for the 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. 2003-101. The applicant proposed a reduction in rates equivalent to P0.3883/kWh.

The Commission has set the application for hearing on July 11, 2003 at ten o'clock (10:00 A.M.) in the morning at LEYECO II, Real St. Tacloban 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 details of the application and who shall have manifested to the Commission their 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 Honorables **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.

FRUCTUOSO C. LAGUNZAD, JR.
Executive Director III

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