

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION TO CONFIRM THE
AUTOMATIC COST
ADJUSTMENTS IMPLEMENTED
FOR THE YEARS 2012 - 2014,
AND FOR AUTHORITY TO
(REFUND)/RECOVER APPROVED
(OVER)/UNDER RECOVERIES,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2015-024 CF

**CENTRAL NEGROS ELECTRIC
COOPERATIVE, INC. (CENECO),
Applicant.**

D O C K E T E D
Date: **DEC 03 2015**
By: *[Signature]*

X ----- X

ORDER

On March 31, 2015, Central Negros Electric Cooperative, Inc. (CENECO) filed an application to confirm the automatic cost adjustments implemented for the years 2012-2014, and for authority to (refund)/recover the approved (over)/under recoveries, with prayer for provisional authority.

In the said application, CENECO alleged, among others, the following:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Gonzaga cor. Mabiņi Sts. Bacolod City, Negros Occidental. It holds an exclusive franchise to operate an electric light and power distribution service in the Cities of Bacolod, Silay, Talisay, Bago and Murcia and the Municipality of Salvador Benedicto, all in the Province of Negros Occidental;

[Handwritten signature]

2. The Commission's Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010, established the procedure for the automatic recovery or refund of pass through costs and the confirmation process that would govern the automatic cost adjustment and true-up mechanisms approved by the Commission, with the objective of ensuring appropriate recovery of the pass through costs in an efficient manner and to put in place a fair and transparent process for the confirmation of the automatic cost adjustments implemented by distribution utilities (DUs) and the true-up of other pass through charges involving Generation Rate, Transmission Rate, System Loss Rate, Lifeline Rate Recovery, Inter-Class Cross-Subsidy Removal or Treatment of Prompt Payment Discount, as the case may be;

3. In compliance thereto, CENECO filed its first application docketed as ERC Case No. 2012-003 CF, for the confirmation of over/under recoveries for the period until December 2011. It sought confirmation of its automatic cost adjustments implemented and proposed the following:

**SUMMARY OF (OVER)/UNDER RECOVERIES
For the Years 2004-2011**

Particulars	Allowable Pass Through Cost	Actual Revenue	(Over)Under Recoveries
Generation (Over)/Under Recovery	13,639,581,939.73	13,438,382,156	201,199,784.17
Transmission (Over)/Under Recovery	3,630,021,834.23	3,491,993,540	138,028,294.23
System Loss (Over)/Under Recovery	2,488,424,816.33	2,413,401,402	75,023,414.64
Lifeline (Over)/Under Recovery	234,967,378.95	236,023,214	(1,055,834.92)
Interclass Cross Subsidies	42,257,662.14	43,033,198	(775,535.87)
Prompt Payment Discount	(3,831,831.50)	(6,080,128)	2,248,296.09
Total (Over)/Under Recovery	20,031,421,799.88	19,616,753,381.54	414,668,418.35

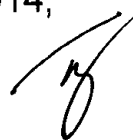
4. The foregoing Resolutions further require the DUs to file their respective consolidated applications once every three (3) years. Hence, the filing of the application for the period January 2012 to December 2014. CENECO seeks approval from the Commission of the following:

(Over)/Under Recoveries in Pass-through Costs
(January 2012 to December 2014)

Particulars	(Over)/Under Recoveries
Generation (Over)/Under Recovery	31,557,767.76
Transmission (Over)/Under Recovery	(92,866,996.57)
System Loss (Over)/Under Recovery	13,100,641.47
Lifeline (Over)/Under Recovery	(1,291,520.59)
Senior Citizen (Over)/Under Recovery	18,442.07
Total (Over)/Under Recovery	(49,481,665.86)

Generation Rate (Over)/Under Recovery

5. The generation charge (over)/under recoveries occurred due to the lag in the pass on of generation costs to consumers. The rates used to compute for the generation recoveries in the current month were based on the generation cost incurred in previous month. Accordingly, when the generation cost of the current month is compared to the generation recoveries in the current month, which recoveries were computed on the basis of previous month's costs, an over or under recovery arises. Also, the differences in volume (kWh) between the previous month (where the cost was incurred) and the current month (where the cost will be billed) contribute to the over/under recovery;
6. CENECO incurred an under recovery in the Generation Charge in the amount of PHP31,557,767.76, for the period January 2012 to December 2014;



Transmission Cost (Over)/Under Recoveries

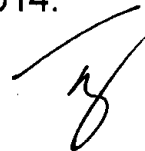
7. The (over)/under recovery in transmission charge occurs when there is a difference between the actual transmission cost for the month and the allowed transmission recoveries in the same month. Basically, the transmission rates used to compute for the recoveries in the current month were based on the average transmission cost incurred in previous month. Accordingly, when the transmission cost of the current month is higher compared to the transmission recoveries in the current month, a transmission under recovery arises. On the other hand, when transmission recoveries are higher than transmission cost, there will be a resulting transmission over recovery;
8. CENECO incurred an over recovery in the Transmission Rate in the amount of PhP92,866,996.57, for the period January 2012 to December 2014;

System Loss Rate Over/Under Recovery

9. Notably, despite the over recovery in generation and under recovery in transmission charges, there is a resulting over recovery in system loss due to the variance in the actual system loss kWh for the years 2012, 2013 and 2014 and the system loss kWh used in month billings for these years, which is based on the latest twelve-month moving average system loss for each month;
10. CENECO incurred an under recovery in the amount of PhP13,100,641.47, for the period January 2012 to December 2014;

Lifeline Subsidy Over/Under Recovery

11. An over/under recovery usually arises when the lifeline discounts implemented (for lifeline consumers) for each billing month is higher or lower than the lifeline subsidy billed to non-lifeline consumers. CENECO incurred an under recovery of PhP1,291,520.59 in the lifeline subsidy for the period January 2012 to December 2014.



Senior Citizen Over/Under Recovery

12. CENECO incurred an under recovery of PhP18,442.07 in the implementation of Senior Citizen discounts. It arises when the senior citizen discounts implemented was higher than the senior citizen subsidy billed;
13. The results of CENECO's proposed recovery scheme are presented hereunder, as follows:

Particulars	Total (Over)/Under Recoveries (PhP) {a}	Total Forecasted kwhr Sales (3 years) {b}	Total Rate (PhP/kWh) {a/b}	Recovery/ (Refund) Period (In months)
Generation (Over)/Under Recovery	31,557,767.76	1,972,702,837	0.0160	36
Transmission (Over)/Under Recovery	(92,866,996.57)	1,972,702,837	(0.0471)	36
System Loss (Over)/Under Recovery	13,100,641.47	1,972,702,837	0.0066	36
Lifeline (Over)/Under Recovery	(1,291,520.59)	1,972,702,837	(0.0006547)	36
Senior Citizen (Over)/Under Recovery	18,442.07	1,972,702,837	0.0000093	36
Total (Over)/Under Recovery	(49,481,665.86)	1,972,702,837	(0.0251)	36

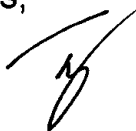
14. In support of the computations, CENECO submitted the following data and documents:

Documents	Annexes
Board Resolution No. 11097, Series of 2015	A
Summary of (Over)/Under Recoveries (for Years 2012-2014)	B
Computation of Rate Impact	C
For the Year 2012	
Computation of (Over)/Under Recoveries	D
Supplier and Transmission Data Sheet	E
Statistical Data Sheet	F
Summary of Actual Implemented Rates	G
Lifeline Discounts/Subsidy	H

Uniform Reportorial Requirement (URR)	I
Monthly Financial and Statistical Report	J
Computation of Generation and System's Loss Rate (Pursuant to AGRA Guidelines)	K
Computation of Transmission Rate (Pursuant to TRAM Guidelines)	L
Computation of Lifeline Discount/Subsidy (Pursuant to LRA Guidelines)	M
Computation of Senior Citizen Discount/Subsidy	N
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts	O
Power Bills and Power Bills Adjustments	P
Official Receipts (O.R.) issued by Power Suppliers	Q
Transmission Bills National Grid Corporation of the Philippines (NGCP)	R
O.R. issued by NGCP	S
Sample Bills of Lifeline Consumers	T
Sample Bills of Non-Lifeline Consumers	U
Sample Bills of Senior Citizen	V
For the Year 2013	
Computation of (Over)/Under Recoveries	W
Supplier and Transmission Data Sheet	X
Statistical Data Sheet	Y
Summary of Actual Implemented Rates	Z
Lifeline Discounts/Subsidy	AA
Uniform Reportorial Requirement (URR)	BB
Monthly Financial and Statistical Report	CC
Computation of Generation and System's Loss Rate (Pursuant to AGRA Guidelines)	DD
Computation of Transmission Rate (Pursuant to TRAM Guidelines)	EE
Computation of Lifeline Discount/Subsidy (Pursuant to LRA Guidelines)	FF
Computation of Senior Citizen Discount/Subsidy	GG
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment discounts	HH
Power Bills and Power Bills Adjustments	II
Official Receipts issued by Power Suppliers	JJ

Transmission Bills National Grid Corporation of the Philippines (NGCP)	KK
Official Receipts issued by NGCP	LL
Sample Bills of Lifeline Consumers	MM
Sample Bills of Non-Lifeline Consumers	NN
Sample Bills of Senior Citizen	OO
For the Year 2014	
Computation of (Over)/Under Recoveries	PP
Supplier and Transmission Data Sheet	QQ
Statistical Data Sheet	RR
Summary of Actual Implemented Rates	SS
Lifeline Discounts/Subsidy	TT
Uniform Reportorial Requirement (URR)	UU
Monthly Financial and Statistical Report	VV
Computation of Generation and System's Loss Rate (Pursuant to AGRA Guidelines)	WW
Computation of Transmission Rate (Pursuant to TRAM Guidelines)	XX
Computation of Lifeline Subsidy (Pursuant to LRA Guidelines)	YY
Computation of Senior Citizen Subsidy	ZZ
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts	AAA
Power Bills and Power Bills Adjustments	BBB
Official Receipts issued by Power Suppliers	CCC
Transmission Bills National Grid Corporation of the Philippines (NGCP)	DDD
O.R. issued by NGCP	EEE
Sample Bills of Lifeline Consumers	FFF
Sample Bills of Non-Lifeline Consumers	GGG
Sample Bills of Senior Citizen	HHH

15. The Generation Costs, Transmission Costs, System Loss Costs, Lifeline Discounts and Senior Citizen Discounts are pass through charges of DUs. Hence, CENECO merely collects from its customers within its franchise area said costs and it neither earns any additional revenue nor should it incur losses from the imposition of the same. From the foregoing, it is incumbent for CENECO to refund and/or recovery whatever costs it incurred above and/or below the valid pass-through costs;



16. Thus, in order to maintain the revenue-neutral status of CENECO, it is urgent that a provisional authority be immediately issued pending the evaluation of the application;

17. CENECO prays that the Commission:

a) Issue a provisional authority and authorizing it to refund/collect the said over/under recoveries to or from its customers, summarized as follows:

Particulars	Total (Over)/Under Recoveries (PhP) {a}	Total Rate (PhP/kWh) {a/b}	Recovery/(Refund) Period (in months)
Generation (Over)/Under Recovery	31,557,767.76	0.0160	36
Transmission (Over)/Under Recovery	(92,866,996.57)	(0.0471)	36
System Loss (Over)/Under Recovery	13,100,641.47	0.0066	36
Lifeline Rate (Over)/Under Recovery	(1,291,520.59)	(0.0006547)	36
Senior Citizen (Over)/Under Recovery	18,442.07	0.0000093	36
TOTAL (Over)/Under Recovery	(49,481,665.86)	(0.0251)	36

b) Approve, after notice and hearing, the (refund)/recovery of the proposed over/under recoveries and the period of recovery; and render judgment making the provisional approval permanent.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **January 27, 2016 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

CENECO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearing thereon.



Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

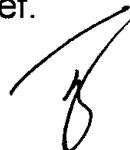
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Mayors of the Cities and Municipalities within CENECO's franchise area and the Provincial Governor of Negros Occidental for the appropriate posting thereof on their respective bulletin boards.

CENECO is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, CENECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Mayors and Governor or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published together with the complete issue of the said newspaper; and such other proofs of compliance with the requirements of the Commission.

CENECO and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.



Failure of CENECO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

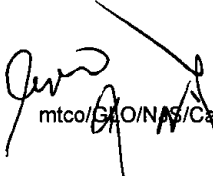
As part of the pre-trial conference, CENECO must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, November 9, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman


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ERC
Office of the Chairman



K-2015-024-01642

Copy Furnished:

1. **ATTY. IRISH-MAY V. RODRIGUEZ**
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2. **CENTRAL NEGROS ELECTRIC COOPERATIVE, INC. (CENECO)**
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3. **The Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **The Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
5. **The Senate Committee on Energy**
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
6. **The House Committee on Energy**
Batasan Hills, Quirino City, Metro Manila
7. **Office of the City Mayor**
Bacolod City
Province of Negros Occidental
8. **Office of the City Mayor**
Silay City
Province of Negros Occidental
9. **Office of the City Mayor**
Talisay City
Province of Negros Occidental
10. **Office of the City Mayor**
Bago City
Province of Negros Occidental
11. **Office of the Municipal Mayor**
Municipality of Murcia
Province of Negros Occidental
12. **Office of the Municipal Mayor**
Municipality of Salvador Benedicto
Province of Negros Occidental
13. **Office of the Governor**
Province of Negros Occidental

