

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
OVER/UNDER RECOVERIES
BASED ON THE FORMULA ON
THE VARIOUS AUTOMATIC
COST ADJUSTMENTS AND
TRUE-UP MECHANISMS AND
CORRESPONDING CONFIRMA-
TION PROCESS PURSUANT TO
ERC RESOLUTION NO. 16,
SERIES OF 2009 AND ERC
RESOLUTION NOS. 21 AND 23
SERIES OF 2010**


ERC CASE NO. 2016-013CF

**COTABATO
COOPERATIVE,
(COTELCO),**

**ELECTRIC
INC.**

Applicant.

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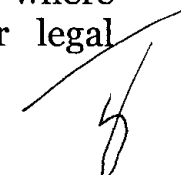
D O C K E T E D
Date: **APR 26 2016**
By: 

ORDER

On 31 March 2016, Cotabato Electric Cooperative, Inc. (COTELCO) filed with the Commission an application for approval of its over or under-recoveries based on the formula on the various automatic cost adjustments and true-up mechanisms and corresponding confirmation process pursuant to ERC Resolution No. 16, Series of 2009 as amended by Resolution Nos. 21 and 23, Series of 2010.

In the said application, COTELCO alleged, among others, that:

1. COTELCO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Manubuan, Matalam, North Cotabato where it may be served with summons and other legal



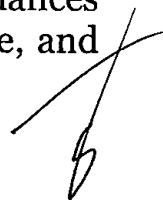
processes, represented in its Application by its General Manager, Godofredo B. Homez, duly authorized by virtue of Resolution No. 28-2016, Series of 2016 dated March 11, 2016 of the Board of Directors, copy of which is attached to its application as Annex "A" and made an integral part thereof;

The filing of its Application is likewise authorized under the afore-mentioned Resolution;

2. It has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Kidapawan and the Municipalities of Makilala, Kabacan, Carmen, Mlang, Tulunan, Matalam, Pres. Roxas, Magpet, Antipas, Arakan, and Banisilan, all in the Province of North Cotabato;

THE APPLICATION AND ITS PURPOSE

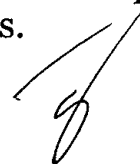
3. Its application is filed in compliance with ERC RESOLUTION NO. 16, Series of 2009, otherwise known as "A RESOLUTION ADOPTING THE RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES" adopted pursuant to the mandate of Section 43 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, in relation to ERC Resolutions No. 17, and 23, all Series of 2009, and Resolution No. 21, series of 2010, mandating the filing of consolidated application for the over/under recoveries of all distribution utilities for the approval/confirmation of the Commission;
4. The afore-cited Guidelines were adopted and issued by the Commission in the furtherance of the following reasons, to wit:
 - 4.a. The Commission has adopted several automatic cost adjustment mechanisms in separate issuances and it is deemed ideal to consolidate, update, and



rationalize the requirements under all said separate issuances;

4.b. The Commission finds it necessary to establish a systematized confirmation process that conform to the due process requirement of the law for the following automatic cost adjustment and true-up mechanisms:

1. Automatic Generation Rate and System Loss Adjustment Mechanism;
2. Transmission Rate Adjustment Mechanism;
3. Lifeline Rate Recovery Mechanism;
4. Local Franchise Tax Recovery Mechanism;
5. Local Business Tax Recovery Mechanism;
6. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
7. Guidelines for a True-Up Mechanism of the Over or Under Recovery in the Implementation of the Inter-Class Cross Subsidy Removal by Distribution Utilities;
8. ERC Resolution No. 12, Series of 2005, "A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)";
9. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities; and
10. Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates.



5. For purposes of determining the under/over recoveries on the implementation of the afore-enumerated automatic cost adjustments and true-up mechanisms, the formula provided for under Resolution No. 16, series of 2009, as amended by Resolution No. 21 and 23, series of 2010 was applied by COTELCO;

6. A summary of the pass true cost vis-a-vis the actual collection on the above-mentioned implementation of various automatic cost adjustments and true up mechanisms are presented hereunder, as follows:

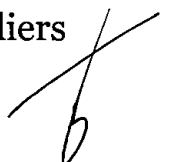
Particulars	Allowable Cost/Pass Thru Cost (PhP)	Actual Recovery (PhP)	(Over)/Under Recoveries (PhP)
GENERATION	1,912,349,964.88	1,909,003,606.27	3,346,358.61
TRANSMISSION	386,116,758.21	300,898,749.08	85,218,009.13
SYSTEM LOSS	335,334,495.68	340,380,839.31	(5,046,343.64)
LIFELINE	31,026,925.39	31,855,129.29	(828,203.90)
Sr. CITIZEN	526,965.22	519,608.44	7,356.78
TOTAL	2,665,355,109.38	2,582,657,932.40	82,697,176.98

7. The foregoing amounts are based on the summary computations attached and marked as Annexes "B" to "F" of its application;

8. Further, in support of the foregoing, COTELCO submits the following data and documents:

As Annex:

- "G"- Power Supplier Data Sheet
- "H"- Statistical Data Sheet
- "I" - Implemented Rates Data Sheet
- "J" - Power Bills of Power Suppliers
- "K"- Official Receipts issued by Power Suppliers
- "L" - Breakdown of Payment with O.R.
- "M"- Debit/Credit Memo of Power Suppliers



- “N”- TRANSCO/NGCP Invoices
- “O”- Official Receipts Issued by transmission providers
- “P” - Breakdown of Payment with O.R.
- “Q”- Debit/Credit Memo issued by transmission providers
- “R”- MFSR (Sections B and E)
- “S”- Table of Monthly Discounts and Recovery
- “T” - Lifeline Discount Sheet
- “U”- Senior Citizen Discount Sheet
- “V” - Consumer Bills per customer class
- “W”- Computation of Generation Rate
- “X” - Computation of System Loss Rate
- “Y” - Computation of Transmission Rate
- “Z” - Computation of Lifeline Subsidy Rate
- “AA”- Computation of Senior Citizen Subsidy Rate

9. Considering the foregoing, it is respectfully prayed that COTELCO’s computations of over/under recoveries be approved, and COTELCO be allowed to refund/collect said over/under recoveries.

Finding the said application 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 **June 1, 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.**



COTELCO 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, with the date of the publication to be made not later than 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 Governor of North Cotabato, as well as the Mayor and the Local Government Legislative Body of the respective cities or municipalities within COTELCO's franchise area for the appropriate posting thereof on their respective bulletin boards.

COTELCO is 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 and pre-trial conference, COTELCO 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 aforementioned Governor, Mayor, and Local Government Legislative Body, 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.

COTELCO 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 thereof; 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.

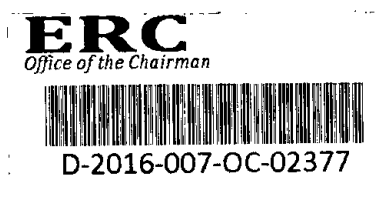
Failure of COTELCO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for the cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, COTELCO 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, 14th of April 2016.

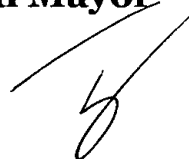
FOR AND BY AUTHORITY
OF THE COMMISSION:



Jose Vicente B. Salazar
for: **JOSE VICENTE B. SALAZAR**
Chairman

Copy Furnished:

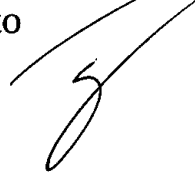
1. **A.C. GAVIOLA LAW OFFICE**
Counsel for Applicant COTELCO
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
2. **COTABATO ELECTRIC COOPERATIVE, INC.**
(COTELCO)
Manubuan, Matalam, North Cotabato
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
5. **Senate Committee on Energy**
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
6. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
7. **Office of the President**
Philippine Chamber of Commerce and Industry
(PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
8. **Office of the City Mayor**
Kidapawan, North Cotabato
9. **Office of the Municipal Mayor**
Makilala, North Cotabato
10. **Office of the Municipal Mayor**
Kabacan, North Cotabato
11. **Office of the Municipal Mayor**
Carmen, North Cotabato



- 12. Office of the Municipal Mayor**
Mlang, North Cotabato
- 13. Office of the Municipal Mayor**
Tulunán, North Cotabato
- 14. Office of the Municipal Mayor**
Matalam, North Cotabato
- 15. Office of the Municipal Mayor**
Pres. Roxas, North Cotabato
- 16. Office of the Municipal Mayor**
Magpet, North Cotabato
- 17. Office of the Municipal Mayor**
Antipas, North Cotabato
- 18. Office of the Municipal Mayor**
Arakan, North Cotabato
- 19. Office of the Municipal Mayor**
Banisilan, North Cotabato
- 20. Office of the Governor**
Province of North Cotabato
- 21. Office of the Sangguniang Panglungsod**
Kidapawan, North Cotabato
- 22. Office of the Sangguniang Bayan**
Makilala, North Cotabato
- 23. Office of the Sangguniang Bayan**
Kabacan, North Cotabato
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Antipas, North Cotabato
- 31. Office of the Sangguniang Bayan**
Arakan, North Cotabato
- 32. Office of the Sangguniang Bayan**
Banisilan, North Cotabato
- 33. Office of the Sangguniang Panlalawigan**
Province of North Cotabato

A handwritten signature in black ink, consisting of a stylized, cursive letter 'S' with a long horizontal stroke extending to the right.