

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



**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF
CALCULATIONS OF OVER
OR UNDER RECOVERIES IN
THE IMPLEMENTATION OF
AUTOMATIC COST
ADJUSTMENTS AND TRUE-
UP MECHANISMS FOR THE
PERIOD 2017 TO 2019,
PURSUANT TO ERC
RESOLUTION NO. 16,
SERIES OF 2009 AS
AMENDED BY
RESOLUTION NO. 21,
SERIES OF 2010 AND ERC
RESOLUTION 23, SERIES
OF 2010**

ERC CASE NO. 2020-050 CF

**ISABELA II ELECTRIC
COOPERATIVE, INC.
(ISELCO II),

Applicant.**

Promulgated:
February 18, 2021

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O R D E R

On 15 October 2020, Isabela II Electric Cooperative, Inc. (ISELCO II) filed an *Application* dated 29 September 2020, seeking the Commission's approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 2017 to 2019, pursuant to the Commission's Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010 and Resolution No. 23, Series of 2010.

The pertinent allegations of the *Application* are hereunder quoted as follows:

THE APPLICANT

1. ISELCO II 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 Brgy. Alibagu, Ilagan City, Isabela;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the City of Ilagan and certain municipalities of the Province of Isabela, namely: Cabagan, San Pablo, Sta. Maria, Naguilian, Gamu, Roxas, Aurora, Mallig, Sto. Tomas, Delfin, Albano, Tamauni, Quezon, Quirino, San Manuel, Burgos, Benito Soliven, San Mariano, Palanan, Maconacon, Divilacan and Dinapigue, However, the coastal towns of Divilacan and Maconacon were already waived for Qualified Third Party (QTP) operation, while electric service to Dinapigue was waived in favor of the Aurora Electric Cooperative, Inc. (AURELCO).

LEGAL BASES FOR THE APPLICATION

3. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 establishes 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 Honorable 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 and the true-up of other pass-through charges, involving Generation Rate, Transmission Rate, System Loss Rate and Lifeline Rate Recovery, as the case may be;
4. On the other hand, ERC Resolution 23, Series of 2010 adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;
5. Foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years.
6. Hence, the filing of the instant application, covering the period January 2017 to December 2019.

OVER OR UNDER RECOVERIES OF ALLOWABLE COSTS

7. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 23, Series of 2010, ISELCO II made calculations of the over recoveries charged or under- recoveries incurred as

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against its customers, in the implementation of certain automatic cost adjustments and true-up mechanisms, covering the period January 2017 to December 2019;

8. The results of its calculations are presented hereunder, as follows:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	3,320,746,104.30	3,389,478,960.36	(68,732,856.06)
Transmission Rate (TR)	629,141,991.34	643,956,796.68	(14,814,805.34)
System Loss Rate (SLR)	554,706,701.52	597,638,475.42	(42,931,773.89)
	Discount (PhP)	Subsidy (PhP)	
Lifeline Rate (LR)	41,342,680.44	39,647,242.89	1,695,437.55
Senior Citizen Discount and Subsidy	453,868.69	433,782.72	20,085.97
Net Results			(124,763,911.78)

SUPPORTING DATA AND DOCUMENTS

9. In support of the foregoing calculations, ISELCO II is submitting the following data and documents covering the period January 2017 to December 2019, attached hereto and made integral parts hereof, as follows:

FOLDER NO.	ANNEX MARKINGS	NATURE OF DOCUMENTS
Folder 1	Annex A	Fully accomplished Supplier and Transmission Data Sheet Per Year
	Annex B	Fully accomplished Statistical Data Sheet Per Year
	Annex C	URR Addendum/DSL Data Per Year
	Annex D	Actual Implemented Rates Sheet Per Year
	Annex E	Lifeline Discount Sheet Per Year
	Annex F	Senior Citizen Discount Sheet Per Year
	Annex G	Summary of O/U Recoveries Computation
	Annex H	Proposed Refund/Collect Scheme
Folder 2	SUPPLIER AND TRANSMISSION DATA	
	Annex I	Power Bills from Suppliers (Power Bill; Proof of Payment; and Credit Memo)
Folder 3	STATISTICAL DATA	
	Annex J	Summary of Pilferage Cost Recoveries and Manifestation
	Annex K	Summary of Implemented Orders/ Decisions
	Annex L	MFSR – Sections B and E
	Annex M	Demand (kW) Sales Summary Report
Folder 4	ACTUAL IMPLEMENTED RATES DATA	
	Annex N	Consumer Bills per Customer Class (Non-Lifeliner)
	Annex O	Consumer Bills per Lifeline Bracket (Lifeliner)
	Annex P	Senior Citizen Consumer Bills
Folder 5	OTHER DOCUMENTS	
	Annex Q	Submitted Monthly URR
	Annex R	Submitted Monthly URR Addendum
	Annex S	Single Line Diagram
	Annex T	Submitted Monthly Reports as per ERC Resolution No 10, Series of 2018

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10. Additionally, ISELCO II is likewise submitting herewith the required electronic files of the Application and supporting data and documents;
11. Further, in compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, ISELCO II is submitting the following documents to form integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENT
Annexes U and series	Proof of furnishing copies of the Application to the Sangguniang Panglungsod of Ilagan City and Sangguniang Panlalawigan of Isabela
Annexes V and series	Proof of publication of the Application in a newspaper of general within ISELCO II's franchise area or where it principally operates

12. Considering the foregoing, it is respectfully prayed that ISELCO II's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case may be, to or from its customers.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that after due notice and hearing, applicant ISELCO II's calculations of over or under recoveries in the implementation of certain automatic cost adjustments and true-up mechanisms covering the period January 2017 to December 2019, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 23, Series of 2011, be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case may be, to or from its customers, summarized as follows, to wit:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	3,320,746,104.30	3,389,478,960.36	(68,732,856.06)
Transmission Rate (TR)	629,141,991.34	643,956,796.68	(14,814,805.34)
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Senior Citizen Discount and Subsidy	453,868.69	433,782.72	20,085.97
Net Results			(124,763,911.78)

Other reliefs, just and equitable in the premises are likewise prayed for.

Finding the said *Application* to be sufficient in substance with the required fees having been paid, the same is hereby set for the determination of compliance with the jurisdictional requirements,

expository presentation, pre-trial conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ dated 24 September 2020:

Date	Platform	Activity
2 March 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and expository presentation
9 March 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-Trial Conference and Presentation of Evidence

Accordingly, **ISELCO II** is hereby directed to host the virtual hearing at **ISELCO II's Main Office in Brgy. Alibagu, Ilagan City, Isabela**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, ISELCO II shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

RELATIVE THERETO, ISELCO II is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within ISELCO II's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within ISELCO II's franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission

- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* 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; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the virtual hearing, ISELCO II must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit of the Editor or Business Manager of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by ISELCO II to inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, ISELCO II is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publication and certifications issued by the concerned Office of the Mayors, or Provincial Governor and Local Legislative Bodies, and to submit proof of its posting thereof.

ISELCO II and all interested parties are also required to submit via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, at least five (5) calendar days before the date of the scheduled virtual hearing and Pre-trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

ISELCO II must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of ISELCO II to comply with the above requirements 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 the said date of cancellation.

ISELCO II must also be prepared to make an expository presentation of the instant *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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

ISELCO II is hereby directed to file a copy of its Expository Presentation via e-mail at doCKET@erc.ph, copy furnish the Legal

Service through legal@erc.ph, at least five (5) calendar days prior to the scheduled virtual hearing. ISELCO II shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

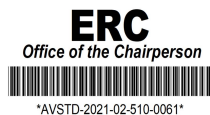
ISELCO II is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

Finally, ISELCO II, including its authorized representative/s and witness/es, is hereby directed to provide the Commission, thru legal.virtualhearings@erc.gov.ph, with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

SO ORDERED.

Pasig City, 08 January 2021.

FOR AND BY AUTHORITY
OF THE COMMISSION:




AGNES VST DEVANADERA
Chairperson and CEO

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Copy Furnished:

1. Isabela II Electric Cooperative (ISELCO II)
Applicant
Brgy. Alibagu, Ilagan City, Isabela
2. Dechavez Lerios-Amboy and Evangelista Law Offices
Counsel of Applicant
Unit 2008 Tycoon Centre, Pearl Drive, Ortigas Center, Pasig City
Email Address: powerlawfirm@gmail.com
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village Makati City, Metro Manila
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City, Metro Manila
6. House Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. Office of the Provincial Governor
Province of Isabela
8. Office of the Sangguniang Panlalawigan
Province of Isabela
9. Office of the City Mayor
Ilagan City, Isabela
10. Office of the Sangguniang Panglungsod
Ilagan City, Isabela
11. Office of the Municipal Mayor
Cabagan, Isabela
12. Office of the LGU Legislative Body
Cabagan, Isabela
13. Office of the Municipal Mayor
San Pablo, Isabela
14. Office of the LGU Legislative Body
San Pablo, Isabela
15. Office of the Municipal Mayor
Sta. Maria, Isabela
16. Office of the LGU Legislative Body
Sta. Maria, Isabela
17. Office of the Municipal Mayor
Naguilian, Isabela
18. Office of the LGU Legislative Body
Naguilian, Isabela
19. Office of the Municipal Mayor
Gamu, Isabela
20. Office of the LGU Legislative Body
Gamu, Isabela
21. Office of the Municipal Mayor
Roxas, Isabela

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22. Office of the LGU Legislative Body
Roxas, Isabela
23. Office of the Municipal Mayor
Aurora, Isabela
24. Office of the LGU Legislative Body
Aurora, Isabela
25. Office of the Municipal Mayor
Mallig, Isabela
26. Office of the LGU Legislative Body
Mallig, Isabela
27. Office of the Municipal Mayor
Sto. Tomas, Isabela
28. Office of the LGU Legislative Body
Sto. Tomas, Isabela
29. Office of the Municipal Mayor
Delfin Albano, Isabela
30. Office of the LGU Legislative Body
Delfin Albano, Isabela
31. Office of the Municipal Mayor
Tumauini, Isabela
32. Office of the LGU Legislative Body
Tumauini, Isabela
33. Office of the Municipal Mayor
Quezon, Isabela
34. Office of the LGU Legislative Body
Quezon, Isabela
35. Office of the Municipal Mayor
Quirino, Isabela
36. Office of the LGU Legislative Body
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37. Office of the Municipal Mayor
San Manuel, Isabela
38. Office of the LGU Legislative Body
San Manuel, Isabela
39. Office of the Municipal Mayor
Burgos, Isabela
40. Office of the LGU Legislative Body
Burgos, Isabela
41. Office of the Municipal Mayor
Benito Soliven, Isabela
42. Office of the LGU Legislative Body
Benito Soliven, Isabela
43. Office of the Municipal Mayor
San Mariano, Isabela
44. Office of the LGU Legislative Body
San Mariano, Isabela

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45. Office of the Municipal Mayor
Palanan, Isabela
46. Office of the LGU Legislative Body
Palanan, Isabela
47. Office of the Municipal Mayor
Maconacon, Isabela
48. Office of the LGU Legislative Body
Maconacon, Isabela
49. Office of the Municipal Mayor
Divilacan, Isabela
50. Office of the LGU Legislative Body
Divilacan, Isabela
51. 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
52. Regulatory Operations Service (ROS)
Energy Regulatory Commission
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