

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 MECHANISM AND CORRESPONDING CONFIRMATION PROCESS PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009 AS AMENDED BY RESOLUTION NOS. 21 AND 23, SERIES OF 2010**

**ERC CASE NO. 2021-029 CF**

**CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II),**

***Applicant.***

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**Promulgated:**  
June 29, 2021

**O R D E R**

On 19 May 2021, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* dated 25 March 2021 (*Application*), seeking the Commission's approval of its computations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period of January 2018 to December 2020 and to allow the cooperative to refund the over recoveries or collect the under recoveries, as the case maybe, to or from the customers.

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

1. Applicant CEBECO II is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Malingin,

Bogo City, Cebu, Philippines, represented herein by its General Manager, Lowell O. Belciña, duly authorized by virtue of Board Resolution No. 19, Series of 2021 dated February 13, 2021 of the Board of Directors, copy of which is attached hereto as Annex "A" and made an integral part hereof.

The filing of the instant Application is likewise authorized under the aforecited Board Resolution;

2. Applicant 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 Cities of Danao and Bogo and the Municipalities of Borbon, Carmen, Catmon, Compostela, Daanbantayan, Medellin, San Remegio, Sogod, Tabogon, Tabuelan, and Tuburan, all in the Province of Cebu;

THE APPLICATION AND ITS PURPOSE

3. This 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, Resolution No. 21, series of 2010, and Resolution No. 10, series of 2018, mandating the filing of consolidated application for the over/under recoveries of all distribution utilities for the approval/confirmation of the Commission;
4. The aforecited Guidelines were adopted and issued by the Honorable 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 and Resolution 10, series of 2018 was applied by the Applicant;
  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	4,352,132,249.47	4,389,174,858.23	(37,042,608.75)
TRANSMISSION	950,721,032.73	987,125,093.93	(36,404,061.20)
SYSTEM LOSS	809,859,601.04	823,679,408.37	(13,819,807.33)
LIFELINE	62,474,684.33	62,569,597.36	(9,913.02)
Sr. CITIZEN	700,871.43	702,390.48	(1,519.05)
<b>TOTAL</b>	<b>6,175,888,439.01</b>	<b>6,263,251,348.36</b>	<b>(87,362,909.35)</b>

The foregoing amounts are based on the computations hereto attached as *Annex “B”*;

7. That, CEBECO II proposes to recover/refund the foregoing amounts based on the January 2021 kWh sales hereunder presented:

Particulars	No. of Months	(OVER) UNDER RECOVERIES	kWh Sales (JAN 2021)	RECOVERY (REFUND)
GENERATION	36	(37,042,608.75)	23,605,215	(0.0436)
TRANSMISSION	36	(36,404,061.20)	38,769,453	(0.0261)
SYSTEM LOSS	36	(13,819,807.33)	38,769,453	(0.0099)

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LIFELINE	36	(94,913.02)	35,115,747	(0.0001)
Sr. CITIZEN	1	(1,519.05)	35,076,090	(0.000043)

8. Further, in support of the foregoing, Applicant submits the following data and documents, to wit:

*Folder 1*

As Annex:

- “C” - Power Supplier and Transmission Data Sheet
- “D” - Statistical Data Sheet
- “E” - Actual Implemented Rates Sheet
- “F” - Lifeline Discount Sheet
- “G” - Senior Citizen Discount Sheet
- “H” - Additional Statistical Data Sheet

*Folder 2 – Supplier and Transmission Data*

As Annex:

- “I” - Power Bills from Suppliers in the following order:
  - a. Power Bill
  - b. Official Receipts or Certifications issued by the Power Supplier
  - c. Debit/Credit Memo issued by the Power Supplier
- “J” - NGCP bills in the following order:
  - a. NGCP Bill
  - b. Official Receipts issued by NGCP
  - c. Debit/Credit Memo issued by NGCP

*Folder 3 – Statistical Data*

As Annex:

- “K” - Summary of Pilferage Cost Recoveries
- “L” - Report on the Implemented Orders/Decisions of Previous Over-Under Applications
- “M” - MFSR (Sections B and E)

“N” - Demand (kW) Sales Summary Report

*Folder 4 – Actual Implemented Rates Data*

As Annex:

“O” - Two (2) Consumer Bills per customer Class (Non-Lifeline)

“P” - One (1) Consumer Bill per Lifeline Bracket (Lifeline)

“Q” - Senior Citizen consumer bills

*Folder 5 – Other Documents*

As Annex:

“R” - Submitted Monthly URR for the years 2018-2020

“S” - Submitted Monthly URR Addendum

“T” - Single Line Diagram

“U” - Submitted Monthly Reports as per ERC Resolution No. 10, series of 2018

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

9. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the City of Bogo where Applicant principally operates and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
10. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as Annexes “V” and “W” respectively. Likewise attached hereto as Annexes “X” and “Y” are the Affidavit of Publication and the newspaper issue containing the published Application;
11. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes

of determining completeness of the supporting documents attached to the Application.

PRAYER

WHEREFORE, foregoing premises considered, Applicant most respectfully prays:

1. That the submitted monthly reports on the Distribution System Loss Data be considered as substantial compliance in accordance with ERC Resolution No. 10, series of 2018; and
2. That the computations of over/under recoveries presented in the instant application be approved and confirmed, and CEBECO II be allowed to refund/collect said over/under recoveries.

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

Finding the said *Application* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>1</sup> dated 24 September 2020:

<b>Date and Time</b>	<b>Platform</b>	<b>Activity</b>
<b>13 August 2021 (Friday)</b> at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and Expository presentation
<b>20 August 2021 (Friday)</b> at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

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<sup>1</sup> Entitled: *A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.*

**RELATIVE THERETO**, CEBECO 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 publication to be made not later than ten (10) days before the date of 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 CEBECO II's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within CEBECO 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;
- 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 the resolution of the prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.<sup>2</sup>

Within five (5) calendar days prior to the date of the virtual hearing, CEBECO II must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of their 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 the affidavit of the Editor

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<sup>2</sup> For the e-mail address of the applicant, please see page 11.

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 CEBECO 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, except those covered by any motion for confidential treatment of information, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, CEBECO 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.

CEBECO II and all interested parties are also required to submit via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto: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.

CEBECO 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 CEBECO 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.

CEBECO 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.

CEBECO II is further directed to file a copy of its Expository Presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. CEBECO 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](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto: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.

CEBECO II is further directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of 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, CEBECO II, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.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, 04 June 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: MBVM/MCCG

**ERC**  
Office of the Chairperson  
  
\*AVSTD-2021-06-510-0068\*

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**Copy Furnished:**

1. Attys. Alan C. Gaviola, Atty. Alan Byrne S. Gaviola  
A.C. GAVIOLA LAW OFFICE  
*Counsel for Applicant Cebu II Electric Cooperative, Inc. (CEBECO II)*  
Rm. 203, 2/F Crown Port View Hotel  
3<sup>rd</sup> Avenue, North Reclamation Area, Cebu City  
E-mail: absgaviola@gaviolalaw.com
2. Cebu II Electric Cooperative, Inc. (CEBECO II)  
*Applicant*  
Malingin, Bogu City, Cebu  
E-mail: a\_beth25@yahoo.com
3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City  
[docket@osg.gov.ph](mailto:docket@osg.gov.ph)
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City  
[citizensdesk@coa.gov.ph](mailto:citizensdesk@coa.gov.ph)
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City  
[senateenergycommittee@gmail.com](mailto:senateenergycommittee@gmail.com)
6. House Committee on Energy  
Batasan Hills, Quezon City  
[committee.energy@house.gov.ph](mailto:committee.energy@house.gov.ph)
7. Office of the Governor  
Province of Cebu
8. Office of the Local Government Unit (LGU) Legislative Body  
Province of Cebu
9. Office of the City Mayor  
Danao City, Cebu
10. Office of the Local Government Unit (LGU) Legislative Body  
Danao City, Cebu
11. Office of the City Mayor  
Bogu City, Cebu
12. Office of the Local Government Unit (LGU) Legislative Body  
Bogu City, Cebu
13. Office of the Municipal Mayor  
Municipality of Borbon, Cebu
14. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Borbon, Cebu
15. Office of the Municipal Mayor  
Municipality of Carmen, Cebu
16. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Carmen, Cebu
17. Office of the Municipal Mayor  
Municipality of Catmon, Cebu
18. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Catmon, Cebu

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19. Office of the Municipal Mayor  
Municipality of Compostela, Cebu
20. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Compostela, Cebu
21. Office of the Municipal Mayor  
Municipality of Daanbantayan, Cebu
22. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Daanbantayan, Cebu
23. Office of the Office of the Municipal Mayor  
Municipality of Medellin, Cebu
24. Office of the Local Government Unit (LGU) Legislative Body  
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Municipality of Tabogon, Cebu
31. Office of the Municipal Mayor  
Municipality of Tabuelan, Cebu
32. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Tabuelan, Cebu
33. Office of the Municipal Mayor  
Municipality of Tuburan, Cebu
34. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Tuburan, Cebu
35. Office of the President of PCCI  
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
36. Regulatory Operations Service  
*Energy Regulatory Commission*  
17<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue,  
Ortigas Center 1600, Pasig City