

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 2015 - 2017, AND
FOR AUTHORITY TO
(REFUND)/RECOVER
APPROVED (OVER)/UNDER
RECOVERIES , WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2018-009 CF

**NORTHERN NEGROS
ELECTRIC COOPERATIVE,
INC. (NONECO),
Applicant.**

x ----- x

D O C K E T E D
Date: JUN 18 2018
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 22 March 2018, Northern Negros Electric Cooperative Inc. (NONECO) filed an *Application* dated 14 March 2018, seeking confirmation on the automatic cost adjustments implemented for the years 2015 to 2017 and for authority to refund or recover approved over or under-recoveries, with a prayer for provisional authority.

NONECO alleged the following in its *Application*:

1. Applicant NONECO is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Barangay Tortosa, Manapla, Negros Occidental. It has an exclusive franchise to distribute electric service in the cities of Victorias, Cadiz, Sagay, Escalante, San Carlos and the municipality of E.B. Magalona, Manapla, Toboso and Calatrava, all in the province of Negros Occidental. It may be served with notices and other processes of this Honorable

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Commission through its counsel at the address indicated herein.

2. Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), Distribution Utilities (DUs), such as Applicant, are allowed to recover just and reasonable costs to enable them to operate viably. On 13 July 2009, the Energy Regulatory Commission (“ERC”) promulgated Resolution No. 16, Series of 2009 entitled “*A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities.*” In promulgating the said Rule, the Honorable Commission established a systematized confirmation process for the automatic cost adjustments implemented by the DUs and the true-up of pass through charges as approved by the ERC to ensure, among other things, appropriate recovery of adjustment and pass through costs in an efficient and transparent process.

3. Subsequent thereto, the Honorable Commission issued Resolution No. 21, Series of 2010 entitled “*A Resolution Amending Section 4 of Article 4 and Section 1 Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanism and Corresponding Confirmation Process for Distribution Utilities.*” The said Resolution amended, among other things, the formula in calculating for System Loss Rate Over/Under Recovery.

4. Applicant NONECO is now filing the instant Application for the confirmation of the automatic cost adjustments it has implemented for the period starting January 2015 until December of 2017. Moreover, Applicant likewise seek approval from the Honorable Commission of its (a) Generation Rate Over/Under Recovery (GOUR); (b) Transmission Rate Over/Under Recovery (TOUR); (c) System Loss Rate Over/Under Recovery (SLOUR); (d) Lifeline Subsidy Over/Under Recovery (LSOUR); and (e) Senior Citizen Over/Under Recovery (SCOUR), broken down as follows :

(OVER)/UNDER RECOVERIES IN PASS-THROUGH COSTS)
 (January 2015 to December 2017)

(Over)/Under Recoveries	
Generation Rate	(18,862,574.27)
Transmission Rate	16,030,151.12
Systems Loss Rate	18,339,283.01
Lifeline Subsidy Rate	(2,900,362.73)
Senior Citizen	(880,124.11)
Total	11,726,373.01

Generation Rate Over/Under Recovery

5. Generation charge over/under recoveries occur because of the lag in the pass on of generation costs to consumers. Basically, 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 cost, an over- or under- recovery arises. Also, the differences in volumes (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. In the instant Application, Applicant determined a generation rate over recovery in the total amount of PhP (18,862,574.27) for the period covering January 2015 to December 2017.

Transmission Cost Over/Under Recoveries

7. Over-/under- recovery in transmission charge occurs when there is 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, in cases when transmission recoveries are higher than transmission cost, there will be a resulting transmission over-recovery.
8. For the transmission cost, Applicant determined that it has an under recovery in the amount of PhP 16,030,151.12 for the period covering January 2015 to December 2017.

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. This was due to the variance in the actual system loss kWh for the years 2015, 2016 and 2017 and the system loss kWh used in monthly billings for these years, which is based on the latest twelve-month moving average system loss for each month.
10. With respect to the calculation of Systems Loss Over/Under Recovery (SLOUR), Applicant arrived at an under recovery in the amount of PhP 18,339,283.01 for the period covering January 2015 until December 2017.

Lifeline Subsidy Over/Under Recovery

11. In the implementation of Lifeline Discounts/Subsidy, Applicant incurred an over recovery in the amount of PhP (2,900,362.73) for the period January 2015 to December 2017. An over or 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.

Senior Citizen Over/Under Recovery

12. Lastly, with respect to Senior Citizen Discounts, Applicant computed an over recovery in the amount of Php (880,124.11). The over recovery in the implementation of Senior Citizen Discount/Subsidy arises when the senior citizen discounts implemented is lower than the senior citizen subsidy billed.
13. In view of the foregoing, Applicant proposes to (refund)/recover the foregoing amounts in the following manner:

NORTHERN NEGROS ELECTRIC COOPERATIVE, INC.
(NONECO)
Proposed Recovery Scheme

Particulars	Total (Over)/Under Recoveries (PhP)	Total Forecasted Kwhr Sales (1 Year)	Total Rate (Php/kWh)	(Refund)/ Recovery period (In mos)
Generation	(18,862,574.27)	206,273,609	(0.0914)	12
Transmission	16,030,151.12	206,273,609	0.0777	12
System Loss	18,339,283.01	206,273,609	0.0889	12
Lifeline	(2,900,362.73)	206,273,609	(0.0141)	12
Senior Citizen	(880,124.11)	206,273,609	(0.0043)	12
Total	11,726,373.01	206,273,609	0.0568	12

14. In support of the instant Application and all computations contained, Applicant hereto attached the following annexes:

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Documents	Annexes
Board Resolution No. 033, Series of 2018	A
Summary of (Over)/Under Recoveries (for Years 2015-2017)	B
Computation of Rate Translation	C
For the Year 2015	
Computation of (Over)/Under Recoveries for 2015	D
Supplier and Transmission Date Sheet for 2015	E
Statistical Data Sheet for 2015	F
Summary of Actual Implemented Rates for 2015	G
Lifeline Discount/Subsidy for 2015	H
Uniform Reportorial Requirement (URR) for 2015	I
Monthly Financial and Statistical Report for 2015	J
Computation of Generation and System's Loss Rate for 2015 (pursuant to AGRA Guidelines)	K
Computation of Transmission Rate for 2015 (pursuant to TRAM Guidelines)	L
Computation of Lifeline Discount/Subsidy for 2015 (pursuant to LRA Guidelines)	M
Computation of Senior Citizen Discount/Subsidy for 2015	N
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2015	O
Power Bills and Official Receipts (2015)	P
NGCP's Bills and Official Receipts (2015)	Q
Sample Bills of Lifeline Consumers (2015)	R
Sample Bills of Non-Lifeline Consumers (2015)	S
Sample Bills of Senior Citizen (2015)	T

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For the Year 2016	
Computation of (Over)/Under Recoveries for 2016	U
Supplier and Transmission Date Sheet for 2016	V
Statistical Data Sheet for 2016	W
Summary of Actual Implemented Rates for 2016	X
Lifeline Discount/Subsidy for 2016	Y
Uniform Reportorial Requirement (URR) for 2016	Z
Monthly Financial and Statistical Report (2016)	AA
Computation of Generation and System's Loss Rate for 2016 (pursuant to AGRA Guidelines)	BB
Computation of Transmission Rate for 2016 (pursuant to TRAM Guidelines)	CC
Computation of Lifeline Discount/Subsidy for 2016 (pursuant to LRA Guidelines)	DD
Computation of Senior Citizen Discount/Subsidy for 2016	EE
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2016	FF
Power Bills and Official Receipts (2016)	GG
NGCP Bills and Official Receipts (2016)	HH
Sample Bills of Lifeline Consumers (2016)	II
Sample Bills of Non-Lifeline Consumers (2016)	JJ
Sample Bills of Senior Citizen (2016)	KK
For the Year 2017	
Computation of (Over)/Under Recoveries for 2017	LL
Supplier and Transmission Date Sheet for 2017	MM
Statistical Data Sheet for 2017	NN

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Summary of Actual Implemented Rates for 2017	OO
Lifeline Discount/Subsidy for 2017	PP
Uniform Reportorial Requirement (URR) for 2017	QQ
Monthly Financial and Statistical Report for 2017	RR
Computation of Generation and System's Loss Rate for 2017 (pursuant to AGRA Guidelines)	SS
Computation of Transmission Rate for 2017 (pursuant to TRAM Guidelines)	TT
Computation of Lifeline Subsidy for 2017 (pursuant to LRA Guidelines)	UU
Computation of Senior Citizen Subsidy for 2017	VV
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for year 2017	WW
Power Bills and Official Receipts (2017)	XX
NGCP Bills and Official Receipts (2017)	YY
Sample Bills of Lifeline Consumers (2017)	ZZ
Sample Bills of Non-Lifeline Consumers (2017)	AAA
Sample Bills of Senior Citizen (2017)	BBB

15. Generation Costs, Transmission Costs, System Loss Costs, Lifeline Discounts and Senior Citizen Discounts are pass-through charges of DUs, like the Applicant. Hence, Applicant 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. Given the foregoing, it is incumbent for NONECO to refund and/or recover whatever costs it incurred above and/or below the valid pass-through costs.

16. Thus, in order to maintain the revenue-neutral status of Applicant, it is urgent that a provisional authority be immediately issued pending hearing of the instant Application.

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that, pending hearing of the instant Application, a Provisional Authority **BE ISSUED** authorizing Applicant to (refund)/collect the following amount and charge the corresponding rate per kilowatthour representing its (over)/under recoveries for the generation, transmission, system loss, lifeline subsidy and senior citizen discounts pass through costs:

Particulars	Total(Over)/ Under Recoveries (Php)	Total Rate (Php/kWh)	(Refund)/ Recovery Period (in mos)
Generation (Over)/Under Recovery	(18,862,574.27)	(0.0914)	12
Transmission (Over)/Under Recovery	16,030,151.12	0.0777	12
System Loss (Over)/Under Recovery	18,339,283.01	0.0889	12
Lifeline (Over)/Under Recovery	(2,900,362.73)	(0.0141)	12
Senior Citizen (Over)/Under Recovery	(880,124.11)	(0.0043)	12
Total	11,726,373.01	0.0568	12

After trial and hearing, it is likewise prayed that a **DECISION** be rendered **PERMANENTLY APPROVING** the (refund)/recovery of the proposed amounts, the charge per kilowatthour and the period of recovery.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **02 August 2018 (Thursday) 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**.

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;

- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 8th day of June 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal