

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 COVERING THE PERIOD 2014 TO 2016, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21, SERIES OF 2010 AND ERC RESOLUTION NO. 23, SERIES OF 2010,

ERC CASE NO. 2017-067 CF

SORSOGON II ELECTRIC COOPERATIVE, INC. (SORECO II),
Applicant.

X-----X

D O C K E T E D
Date: AUG 31 2017
By: _____

ORDER

On 29 June 2017, an *Application* dated 28 March 2017 was filed by applicant Sorsogon II Electric Cooperative, Inc. (SORECO II) seeking the Commission's confirmation and approval of the calculations of (over) or under-recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period 2014 to 2016.

SORECO II alleged the following in its *Application*:

THE APPLICANT

1. SORECO II is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Buhatan, Sorsogon City;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in certain municipalities of the Province of Sorsogon, namely: Sorsogon East District, Sorsogon West District, Bacon District, Donsol, Pilar, Castilla, Gubat, Barcelona and Prieto Diaz .

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, Lifeline Rate Recovery, Inter-Class Cross-Subsidy Removal, or Treatment of Prompt Payment Discount, 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. Hence, the filing of the instant application, covering the period January 2014 to December 2016.

OVER OR UNDER RECOVERIES OF
ALLOWABLE COSTS

6. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 23, Series of 2010, applicant made calculations of the over recoveries charged or underrecoveries incurred as against its customers, in the implementation of certain automatic cost

adjustments and true-up mechanisms, covering the period January 2014 to December 2016;

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

| | Allowable Cost (PhP) | Actual Revenue (PhP) | (Over)/Under Recovery (PhP) |
|---|-------------------------|-------------------------|--------------------------------|
| Generation Rate (GR) | 1,091,174,328.37 | 1,092,486,597.93 | (1,312,269.56) |
| Transmission Rate (TR) | 300,948,835.85 | 299,052,035.00 | 1,896,800.85 |
| System Loss Rate (SLR) | 210,928,948.29 | 232,058,729.63 | (21,129,781.34) |
| | Discount (PhP) | Subsidy (PhP) | |
| Lifeline Rate (LR) | 19,920,349.04 | 10,210,330.90 | 9,710,018.14 |
| Senior Citizen Discount and Subsidy | 1,308,697.46 | 1,274,934.17 | 33,763.29 |
| Net Results | | | (10,801.468.61) |

SUPPORTING DATA AND DOCUMENTS

8. In support of the foregoing, applicant is submitting the following data and documents covering the period January 2014 to December 2016, attached hereto and made integral parts hereof as follows:

| FOLDER | ANNEX MARKINGS | NATURE OF DOCUMENT |
|----------|---------------------------------------|---|
| Folder 1 | Annex A | Summary of over/under recoveries computation for the entire period per charges and yearly basis |
| | Annex B | Proposed scheme of refund/collect using the latest kWh sales |
| Folder 2 | SUPPLIER AND TRANSMISSION DATA | |
| | Annex C | Fully accomplished Supplier and Transmission Data Sheet for the year |
| | Annex D | Power Bills from Suppliers (Power bill, proof of payment, Adjusted Bill/Debit or Credit Memo |
| Folder 3 | STATISTICAL DATA | |

| | | |
|----------|--------------------------------------|---|
| | Annex E | Fully accomplished Statistical Data Sheet for the year |
| | Annex F | Summary of Pilferage Cost Recoveries/ Manifestation if no PCR |
| | Annex G | Report of Implemented Other Adjustments |
| | Annex H | MFSR – Sections A, B and E |
| Folder 4 | ACTUAL IMPLEMENTED RATES DATA | |
| | Annex I | Fully accomplished Actual implemented Rates Data Sheet for the Year |
| | Annex J | Fully accomplished Lifeline Discount Sheet for the Year |
| | Annex K | Fully accomplished Senior Citizen Discount Sheet for the Year |
| | Annex L | Consumer Bills per customer class (Non-Lifeline) |
| | Annex M | Consumer Bills per lifeline bracket (Lifeline) |
| | Annex N | Senior Citizen consumer bills |
| Folder 5 | OTHER DOCUMENTS | |
| | Annex O | Submitted URR for the year |

9. Additionally, applicant is submitting herewith in support of the instant application, the required electronic copies of the Application together with the foregoing data and documents.

10. Further, in compliance with the pre-filing requirements of the Honorable Commission, applicant is likewise submitting the following documents, to form integral parts hereof, to wit:

| ANNEX MARKINGS | NATURE OF DOCUMENT |
|----------------------|---|
| Annexes P and series | Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Sorsogon City and Sangguniang Panlalawigan of Sorsogon |
| Annexes Q and series | Proof of publication of the Application in a newspaper in circulation in SORECO II's franchise area or where it principally operates |

11. Considering the foregoing, it is respectfully prayed that applicant'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 maybe, to or from its customers.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that after due notice and hearing, SORECO II's calculations of over or underrecoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period January 2014 to December 2016, 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 maybe, to or from its customers, summarized as follows, to wit:

| | Allowable Cost (PhP) | Actual Revenue (PhP) | (Over)/Under Recovery (PhP) |
|--|-------------------------|-------------------------|--------------------------------|
| Generation Rate (GR) | 1,091,174,328.37 | 1,092,486,597.93 | (1,312,269.56) |
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| Net Results | | | (10,801.468.61) |

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

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **4 October 2017 at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, SORECO II is hereby directed to:

- 1) Cause the publication of the attached Notice of Public 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 Public Hearing the Offices of the Provincial Governor, Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public 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.

On the date of the initial hearing, Applicant must submit to the Commission 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 Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public 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 Public 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 Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (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 proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial 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 therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant 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.

SORECO 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, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 3 August 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-in-Charge of ERC



LS: SLAN/ARG/GLS/APV

COPY FURNISHED:

1. Sorsogon II Electric Cooperative, Inc. (SORECO II)
Applicant
Brgy. Buhatan, Sorsogon City, Sorsogon
2. Atty. Jeremiah D. Francisco
Counsel for Applicant
DECHAVEZ & EVANGELISTA LAW OFFICES
Unit 2008 Tycoon Centre, Pearl Drive, Ortigas Center, Pasig City
3. Office of the Mayor
Sorsogon East District, Sorsogon
4. Office of the LGU legislative body
Sorsogon East District, Sorsogon
5. Office of the Mayor
Sorsogon West District, Sorsogon
6. Office of the LGU legislative body
Sorsogon West District, Sorsogon
7. Office of the Mayor
Bacon District, Sorsogon
8. Office of the LGU legislative body
Bacon District, Sorsogon
9. Office of the Mayor
Donsol, Sorsogon
10. Office of the LGU legislative body
Donsol, Sorsogon

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11. Office of the Mayor
Pilar, Sorsogon
12. Office of the LGU legislative body
Pilar, Sorsogon
13. Office of the Mayor
Castilla, Sorsogon
14. Office of the LGU legislative body
Castilla, Sorsogon
15. Office of the Mayor
Gubat, Sorsogon
16. Office of the LGU legislative body
Gubat, Sorsogon
17. Office of the Mayor
Barcelona, Sorsogon
18. Office of the LGU legislative body
Barcelona, Sorsogon
19. Office of the Mayor
Prieto Diaz, Sorsogon
20. Office of the LGU legislative body
Prieto Diaz, Sorsogon
21. Office of the Governor
Province of Sorsogon
22. Office of the LGU legislative body
Province of Sorsogon
23. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
24. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
25. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
26. House Committee on Energy
Batasan Hills, Quezon City
27. 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
28. Regulatory Operations Service (ROS)
(Investigation & Enforcement Division [IED])
Energy Regulatory Commission (ERC)
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City