

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. 2013,
SERIES OF 2010,**

ERC CASE NO. 2017-035 CF

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

X-----X

D O C K E T E D
Date: AUG 31 2017
By: [Signature]

ORDER

On 30 March 2017, Isabela II Electric Cooperative, Inc. (ISELCO II) filed an *Application* dated 20 March 2017 (*Application*) seeking the Commission's confirmation and approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true up mechanisms covering the period 2014 to 2016.

In the said *Application*, ISELCO II alleged the following:

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 offices at Brgy. Alibagu, Ilagan City, Isabela;

2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of Ilagan and certain municipalities in the Province of Isabela, namely: Aurora, Benito Soliven, Burgos, Cabagan, Delfin Albano, Gamu, Mallig, Naguilian, Quezon, Quirino, Roxas, San Manuel, San Pablo, Sta. Maria, San Mariano, Sto. Tomas, Tumauni, Divilacan, Maconacon, Palanan and Dinapigue. However, the coastal towns of Divilacan and Maconacon were already waived for Qualified Third Party (QTP);
3. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 establish 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, Treatment of Prompt Payment Discount, as the case may be. ERC Resolution 23, Series of 2010, on the other hand, adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;
4. 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 against its customers, in the implementation of the foregoing automatic cost adjustments and true-up mechanisms, covering the period January 2014 to December 2016;
5. The results of its calculations are presented hereunder, as follows:

	Pass Through Cost (Php)	Actual Revenue (Php)	(Over)/Under Recovery (Php)
Generation Rate (GR)	2,302,233,291.98	2,309,135,086.35	(6,901,794.37)
Transmission Rate (TR)	585,721,166.98	583,284,510.13	2,436,656.85
System Loss Rate (SLR)	441,548,982.48	457,611,932.40	(16,062,949.92)
Lifeline Rate (LR)	36,867,110.27	27,855,404.37	9,011,705.90
Senior Citizen Discount	674,176.22	404,305.16	269,871.06
Net Results	3,367,044,727.93	3,378,291,238.41	(11,246,510.48)

Summaries of the results of individual computations on the foregoing pass through charges are attached to the Application and made integral parts thereof as Annexes "A" to "E", respectively;

[7] In support of the computations made, ISELCO II is submitting the following data and documents, labeled together and made integral part of the Application as Annex "F", to wit:

- a) Supplier and Transmission Data Sheet
- b) Statistical Data Sheet
- c) Implemented Rates Data Sheet
- d) Power Bills of Power Suppliers
- e) Official Receipts issued by Power Suppliers
- f) Breakdown of Payments with Official Receipts
- g) Debit/Credit Memo of Power Suppliers
- h) NGCP Invoices
- i) Official Receipts issued by NGCP
- j) Breakdown of Payments with Official Receipts
- k) Debit/Credit Memo issued by NGCP
- l) MFSR (Sections B and E)
- m) Consumer Bills of Lifeliners (per level), Senior Citizen(per level) and Non-Lifeliners per customer class

[8] Considering the foregoing, it is respectfully prayed that ISELCO II's calculations of its over or under-recoveries be confirmed and approved by the Honorable Commission.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that after due notice and hearing, ISELCO II's calculations of over or under-recoveries in the implementation of 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 ISELCO II 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:

	Pass Through Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	2,302,233,291.98	2,309,135,086.35	(6,901,794.37)
Transmission Rate (TR)	585,721,166.98	583,284,510.13	2,436,656.85
System Loss Rate (SLR)	441,548,982.48	457,611,932.40	(16,062,949.92)
Lifeline Rate (LR)	36,867,110.27	27,855,404.37	9,011,705.90

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Senior Citizen Discount	674,176.22	404,305.16	269,871.06
Net Results	3,367,044,727.93	3,378,291,238.41	(11,246,510.48)

Other relief, 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 **11 October 2017 (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.**

Accordingly, ISELCO 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 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 Public Hearing the Offices of the Provincial Governor, the City and 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*, the 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 the 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 Managers 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*, the 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 the 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 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.

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

SO ORDERED.

Pasig City, 15 August 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
OIC – Chairman and CEO

Copy Furnished:

1. **CRUZ CALUPITAN and ASSOCIATES LAW OFFICE**
Counsel for Applicant ISELCO II
Unit 103-A 2nd Floor, Cybermall,
Eastwood City, Libis, 1110 Quezon City
2. **ISABELA II ELECTRIC COOPERATIVE, INC. (ISELCO II)**
Brgy. Alibagu, Ilagan, Isabela
3. **The Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **The Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
5. **The Senate Committee on Energy**
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
6. **The House Committee on Energy**
Batasan Hills, Quirino City, Metro Manila
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, 355 Sen. Gil Puyat Ave., Makati City
8. **Office of the Governor**
Province of Isabela
9. **Office of the Local Government Unit (LGU) legislative body**
Province of Isabela
10. **Office of the City Mayor**
Ilagan City, Isabela
11. **Office of the Local Government Unit (LGU) legislative body**
Ilagan City, Isabela
12. **Office of the Municipal Mayor**
Santa Maria, Isabela
13. **Office of the Local Government Unit (LGU) legislative body**
Santa Maria, Isabela
14. **Office of the Municipal Mayor**
San Pablo, Isabela
15. **Office of the Local Government Unit (LGU) legislative body**
San Pablo, Isabela
16. **Office of the Municipal Mayor**
Cabagan, Isabela
17. **Office of the Local Government Unit (LGU) legislative body**
Cabagan, Isabela

- 18. Office of the Municipal Mayor**
Maconacon, Isabela
- 19. Office of the Local Government Unit (LGU) legislative body**
Maconacon, Isabela
- 20. Office of the Municipal Mayor**
Quezon, Isabela
- 21. Office of the Local Government Unit (LGU) legislative body**
Quezon, Isabela
- 22. Office of the Municipal Mayor**
Santo Tomas, Isabela
- 23. Office of the Local Government Unit (LGU) legislative body**
Santo Tomas, Isabela
- 24. Office of the Municipal Mayor**
Tumauini, Isabela
- 25. Office of the Local Government Unit (LGU) legislative body**
Tumauini, Isabela
- 26. Office of the Municipal Mayor**
Divilacan, Isabela
- 27. Office of the Local Government Unit (LGU) legislative body**
Divilacan, Isabela
- 28. Office of the Municipal Mayor**
Delfin Albano, Isabela
- 29. Office of the Local Government Unit (LGU) legislative body**
Delfin Albano, Isabela
- 30. Office of the Municipal Mayor**
Mallig, Isabela
- 31. Office of the Local Government Unit (LGU) legislative body**
Mallig, Isabela
- 32. Office of the Municipal Mayor**
Quirino, Isabela
- 33. Office of the Local Government Unit (LGU) legislative body**
Quirino, Isabela
- 34. Office of the Municipal Mayor**
Roxas, Isabela
- 35. Office of the Local Government Unit (LGU) legislative body**
Roxas, Isabela
- 36. Office of the Municipal Mayor**
San Manuel, Isabela
- 37. Office of the Local Government Unit (LGU) legislative body**
San Manuel, Isabela

- 38. Office of the Municipal Mayor**
Aurora, Isabela
- 39. Office of the Local Government Unit (LGU) legislative body**
Aurora, Isabela
- 40. Office of the Municipal Mayor**
Burgos, Isabela
- 41. Office of the Local Government Unit (LGU) legislative body**
Burgos, Isabela
- 42. Office of the Municipal Mayor**
Gamu, Isabela
- 43. Office of the Local Government Unit (LGU) legislative body**
Gamu, Isabela
- 44. Office of the Municipal Mayor**
Naguilian, Isabela
- 45. Office of the Local Government Unit (LGU) legislative body**
Naguilian, Isabela
- 46. Office of the Municipal Mayor**
Benito Soliven, Isabela
- 47. Office of the Local Government Unit (LGU) legislative body**
Benito Soliven, Isabela
- 48. Office of the Municipal Mayor**
San Mariano, Isabela
- 49. Office of the Local Government Unit (LGU) legislative body**
San Mariano, Isabela
- 50. Office of the Municipal Mayor**
Palanan, Isabela
- 51. Office of the Local Government Unit (LGU) legislative body**
Palanan, Isabela
- 52. Office of the Municipal Mayor**
Dinapigue, Isabela
- 53. Office of the Local Government Unit (LGU) legislative body**
Dinapigue, Isabela
- 54. Investigation and Enforcement Division (IED)**
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City