

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



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

**ERC CASE NO. 2012-026 CF**

**SAMAR II ELECTRIC COOPERATIVE, INC. (SAMELCO II),**

**Applicant.**

X-----X

**D O C K E T E D**

Date: SEP 18 2017

By: [Signature]

**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 2012 TO 2014, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009 AS AMENDED BY RESOLUTION NO. 21, SERIES OF 2010**

AND ERC RESOLUTION NO.  
23, SERIES OF 2010,

ERC CASE NO. 2015-017 CF

SAMAR II ELECTRIC  
COOPERATIVE, INC.  
(SAMELCO II),

Applicant.

X-----X

## DECISION

Before the Commission for resolution are the two Applications filed by Samar II Electric Cooperative, Inc. (SAMELCO II), to wit:

- 1) The *Application* dated 18 May 2012 and the *Amended Application* dated 15 August 2012 (First Application) filed on 29 May 2012 and 15 August 2012, respectively under ERC Case No. 2012-026 CF for confirmation and approval of its calculations of over or under recoveries in the implementation of Automatic Cost Adjustments and True Up Mechanisms for the period July 2004 to December 2011; and
- 2) The *Application* dated 30 March 2015 (Second Application) filed on even date under ERC Case No. 2015-017 CF for confirmation and approval of its calculations of over or under recoveries in the implementation of Automatic Cost Adjustments and True Up Mechanisms for the period 2012 to 2014.

## FACTUAL ANTECEDENTS

### A. FIRST APPLICATION ERC Case No. 2012-026 CF

On 29 May 2012, SAMELCO II filed its *Application*. On 25 June 2012, the Commission issued an Order and a Notice of Public Hearing, setting the case for initial hearing on 07 August 2012.

On 30 July 2012, SAMELCO II filed its *Pre-trial Brief*.

On 02 August 2012, Mr. Teodoro V. Ilagan (Mr. Ilagan) and Mr. Maximo C. Pescos (Mr. Pescos), both members of the Sangguniang Panlungsod of Catbalogan City, filed their *Petition for Intervention* dated 01 August 2012.

On 13 August 2012, the Commission issued an Order cancelling and resetting the 07 August 2012 hearing to 14 September 2012 due to inclement weather.

On 15 August 2012, the National Association of Electricity Consumers for Reforms, Inc. (NASECORE) filed its *Petition for Intervention* dated 01 August 2012.

On 16 August 2012, SAMELCO II filed its *Motion to Admit Amended Application* (Motion) and attached thereto its *Amended Application*, both dated 15 August 2012, alleging that upon review of the original Application, it was found that pertinent data were not included in the computations of the (over)/under-recoveries, which were substantial in the determination of (over)/under-recoveries.

In its *Amended Application*, SAMELCO II alleged the following:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of Presidential Decree No. 269 (PD 269) as amended, and other laws of the Republic of the Philippines, with principal office at Brgy. Arado, Paranas, Samar;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of Catbalogan and fifteen (15) municipalities in the province of Samar, namely: Jiabong, Motiong, Paranas, San Sebastian, Hinabangan, Calbiga, Pinabacdao, Villareal, Talalora, Sta. Rita, Basey, Marabut, Daram, San Jose de Buan and Zumarraga;
3. Under ERC Resolution No. 16, Series of 2009 as amended by ERC Resolution No. 21, Series of 2010, Distribution Utilities (DUs) and Electric Cooperatives (ECs) are required to file their respective consolidated applications for approval of their over-recoveries made or under-recoveries incurred in the implementation of various automatic cost adjustments and true-up mechanisms adopted by the Honorable Commission, such as: Automatic Generation Rate (GR) and System Loss Adjustment Mechanism, Transmission Rate (TR) Adjustment

**ERC CASE NO. 2012-026 CF**  
**ERC CASE NO. 2015-017 CF**  
**DECISION/01 AUGUST 2017**  
**Page 4 of 23**

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Mechanism, Lifeline Rate Recovery Mechanism, Local Franchise Tax and Business Tax Recovery Mechanism, Calculation of the Over/Under Recovery in the Implementation of Inter-Class Cross Subsidy Removal of DUs, Treatment of Prompt Payment Discount (PPD), Calculation of Over/Under Recovery in the Implementation of System Loss Rate by DUs, and Calculation of Over/Under Recovery in the Implementation of Transmission Rates;

4. Applicant applied the formulae provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010, and has determined that the cooperative has incurred under-recoveries or made over-recoveries in its implementation of certain automatic cost adjustments and true-up mechanisms;
5. A summary of the pass through costs vis-à-vis actual collections of applicant on the above-mentioned implementation of various automatic cost adjustments and true-up mechanisms applying the formulae provided, showed the following results, to wit:

		<b>Pass Through Cost</b>	<b>Actual Collection</b>	<b>Difference</b>
A	Generation Rate (GOUR)	1,055,678,523.98	1,059,269,787.60	(3,590,263.62)
B	Transmission Rate (TOUR)	286,780,712.82	300,909,966.67	(14,129,253.86)
C	System Loss Rate (SLOUR)	210,8025,357.40	215,507,539.52	(4,705,182.12)
D	Lifeline Rate (SLOUR)	31,166,833.38	27,320,009.48	3,846,823.90
E	Inter-Class Cross Subsidy	3,454,524.97	2,503,095.39	951,429.58
F	Implementation of PPD Reinstatement	158,436.51	286,693.40	(128,256.89)
<b>Grand Total</b>		<b>1,588,042,389.07</b>	<b>1,605,797,092.06</b>	<b>(17,754,703.01)</b>

6. Summaries of individual computations on the foregoing items are attached hereto and made integral parts hereof as Annexes “\_\_\_” to “\_\_\_”, respectively;
7. Supporting data and documents listed below, are likewise being submitted herewith to form an integral part hereof, labelled together as Annex “\_\_\_”, to wit:
  - a) Power Supplier 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 Payment with O.R.
  - g) Debit/Credit Memo of Power Suppliers
  - h) TRANSCO/NGCP Invoices
  - i) Official Receipts Issued by TRANSCO/NGCP
  - j) Breakdown of Payments with O.R.

- k) Debit/Credit Memo issued by TRANSCO/NGCP
- l) DU-MO1 and DU-MO2, MFSR
- m) Consumer Bills of Lifeliners (per level) and Non-Lifeliners per customer class

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission that SAMELCO II's determination of over or under-recoveries in its implementation of the various automatic cost adjustments and true up mechanisms in accordance with ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010, be confirmed and approved, and that the cooperative be allowed to refund/collect the said over/under-recoveries.

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

Finding the Motion meritorious and the *Amended Application* sufficient in form and substance, the Commission issued another Order and a Notice of Public Hearing, both dated 28 August 2012, granting the motion and setting the case for initial hearing on 14 September 2012.

On 03 September 2012, SAMELCO II filed a *Motion to Postpone* praying that the 14 September 2012 hearing be set to another date. The Commission granted the same in an Order dated 04 September 2012, and rescheduled the initial hearing on 25 September 2012.

During the 25 September 2012 hearing, SAMELCO II submitted documents proving its compliance with the publication and posting requirements of the Commission and directives in the Order dated 04 September 2012. A perusal thereof shows SAMELCO II's full compliance with the jurisdictional requirements, all of which were marked as Exhibits "E" to "H-7", inclusive. Thus, the Commission has acquired jurisdiction over the case.

In the said hearing, only SAMELCO II appeared. NASECORE, Mr. Ilagan and Mr. Pescos failed to appear. Accordingly, in the course of the hearing, the counsel of SAMELCO II moved that an Order of General Default be issued against those who are not present during the hearing, including NASECORE, Mr. Ilagan and Mr. Pescos, who filed their Petitions for Intervention but failed to appear during the hearing. The Commission, finding the said motion meritorious, granted the same and issued an Order of General Default against

NASECORE, Mr. Ilagan and Mr. Pescos, and all those who were not present during the hearing.

On 27 September 2012, SAMELCO II filed its *Formal Offer of Evidence*.

On 22 October 2012, Mr. Ilagan and Mr. Pescos filed a *Manifestation and Motion* (Manifestation) dated 25 September 2012. In the said Manifestation, Mr. Ilagan and Mr. Pescos alleged that they did not receive an Order and Notice of Public Hearing from the Commission for the initial hearing on 25 September 2012, and such was a violation of their fundamental right to due process and fair play. They also alleged that while they received a copy of the Order and Notice of Public Hearing, both dated 25 June 2012, the Commission has yet to rule on their Petition for Intervention. Furthermore, they alleged that SAMELCO II failed to conduct an orientation pertaining to the Application and the corresponding Resolutions of the Commission despite formal request by the Honorable City Mayor Coefredo T. Uy. Thus, they prayed that the Commission:

1. Issue an Order granting our Petition for Intervention dated 01 August 2012;
2. Issue an Order directing the Applicant SAMELCO II to:
  - 2.1. Furnish Intervenor's copies of its application with complete annexes/attachments, within a reasonable period of time to allow us to evaluate and examine the instant Application and consequently, prepare for the hearing of the case.
  - 2.2. Produce documents such as but not limited to the monthly official receipts (O.R.) and invoice of power suppliers of SAMELCO II for the period covered by the application; monthly collection of SAMELCO II on their generation, transmission and systems loss charges for the same period.
  - 2.3. Furnish us a copy of all the ERC Resolutions cited by the Applicant in item 3 of their Application.
3. Issue an order changing the venue of the hearing from Pasig City to Catbalogan City, Samar to afford the consumers who will be affected by the Application the opportunity to attend and learn from the said hearing.

Upon a perusal of the Commission's records, it was verified that NASECORE, Mr. Ilagan and Mr. Pescos were furnished with copies of the Order and Notice of Public Hearing, both dated 04 September 2012.

Accordingly, on 15 August 2016, the Commission issued an Order admitting the exhibits contained in SAMELCO II's *Formal Offer of Evidence*, and submitting the case for resolution.

**B. SECOND APPLICATION**  
**ERC Case No. 2015-017 CF**

In its Second Application, SAMELCO II alleged, among others, the following:

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3. The Commission's 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 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, System Loss Rate, Transmission Rate, Lifeline Rate Recovery. It adopts the rules discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;
4. SAMELCO II applied the formulae provided under Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010, and has determined that the over recoveries and under recoveries incurred in SAMELCO II implementation of the foregoing automatic cost adjustments and true-up mechanisms for the period January 2012 to December 2014;
5. The results of SAMELCO II calculations are presented hereunder, as follows:

<b>Particulars</b>	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation-Main	631,316,160.31	645,400,893.46	(14,084,733.14)
Generation-SPUG	15,549,726.33	17,668,887.07	(2,119,160.73)
Transmission	137,725,164.30	135,446,764.69	2,278,399.61
System Loss-Main	116,361,840.78	129,805,566.14	(13,443,725.36)
System Loss-SPUG	2,466,338.75	67,930.39	2,398,408.36
Lifeline	22,888,871.79	(22,758,286.14)	(130,585.65)
Senior Citizen	316,803.95	(256,890.24)	(59,913.71)
<b>Net Results</b>	<b>926,624,906.22</b>	<b>905,374,865.37</b>	<b>(25,161,310.63)</b>

6. In support of the computations made, SAMELCO II submitted the following data and documents, labeled together and made an integral part of the application as Annex "A":

- a. Summary of the results of individual calculations of over or under recoveries made on the subject pass through charges;
- b. Power Supplier Data Sheet;
- c. Statistical Data Sheet;
- d. Implemented Rates Data Sheet;
- e. Power Bills of Power Suppliers;
- f. Official Receipts (O.R.) issued by Power Suppliers;
- g. Breakdown of Payments with O.R.;
- h. Debit/Credit Memo of Power Suppliers;
- i. National Grid Corporation of the Philippines (NGCP) Invoices;
- j. O. R. issued by the NGCP;
- k. Breakdown of Payments with O.R.
- l. Debit/Credit Memo issued by NGCP
- m. MFSR (Sections B and E); and
- n. Consumer Bills of Lifeliners (per level) and Non-Lifeliners per customer class and Senior Citizens (per level); and

7. SAMELCO II prays that the Commission:

- a) Confirm and approve the calculations of over/under recoveries presented in the instant application; and
- b) Allow to refund/collect the said over/under recoveries to or from its customers, summarized as follows, to wit:



<b>Particulars</b>	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation-Main	631,316,160.31	645,400,893.46	(14,084,733.14)
Generation-SPUG	15,549,726.33	17,668,887.07	(2,119,160.73)
Transmission	137,725,164.30	135,446,764.69	2,278,399.61
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Lifeline	22,888,871.79	(22,758,286.14)	(130,585.65)
Senior Citizen	316,803.95	(256,890.24)	(59,913.71)
<b>Net Results</b>	<b>926,624,906.22</b>	<b>905,374,865.37</b>	<b>(25,161,310.63)</b>

Finding the Second Application sufficient in form and substance, the Commission issued an Order and a Notice of Public Hearing, both dated 12 October 2015, setting the case for initial hearing on 24 November 2015.

On 16 November 2015, SAMELCO II filed its *Pre-trial Brief*.

During the 24 November 2015 hearing, SAMELCO II appeared. There was no intervenor or oppositor who appeared nor was there any intervention or opposition filed.

In the said hearing, SAMELCO II was directed to present its proof of compliance with the Commission's posting and publication of notice requirements pursuant to the Order dated 12 October 2015. SAMELCO II presented proof of the said compliance, which were duly marked as Exhibits "A" to "D", inclusive. Finding SAMELCO II's submissions compliant with the Commission's jurisdictional requirements as well as the Order dated 12 October 2015, the Commission declared that it acquired jurisdiction over the case.

On 10 December 2015, SAMELCO II filed before the Commission its *Formal Offer of Evidence*.

Subsequently, on 30 August 2016, the Commission issued an Order admitting SAMELCO II's exhibits contained in the *Formal Offer of Evidence*, and submitting the case for resolution.

## **ISSUES**

The common issue to be resolved for both First and Second Applications of SAMELCO II is whether the Commission should approve SAMELCO II's calculations of its (over) or under recovery for the period July 2004 to December 2011 under ERC Case No. 2012-026 CF, and for the period 2012 to 2014 under ERC Case No. 2015-017 CF.

## **THE COMMISSION'S RULING**

On 06 September 2016, the Commission decided and approved with modification SAMELCO II's calculations of its over/under recovery in its First and Second Applications. However, due to supervening events<sup>1</sup>, the Decision could no longer be promulgated without undergoing reconfirmation by the Commission *En Banc*. Thus, the Commission resolved to reconfirm the same on 01 August 2017.

## **DISCUSSION**

Pursuant to Resolution No. 16, Series of 2009<sup>2</sup>, as amended by Resolution No. 21, Series of 2010<sup>3</sup>, and Resolution No. 23, Series of 2010<sup>4</sup>, the formulae below were adopted in the computation of the following: 1) Generation Rate; 2) Transmission Rate; 3) System Loss; 4) Lifeline Subsidy; and 5) Senior Citizen Subsidy:

### **Generation Rate:**

$$GOUR = \frac{[(AGC - GRR) + rGOUR]}{S_{GOUR \text{ Total}}}$$

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<sup>1</sup> The Chairman was placed on preventive suspension as per Order of the Office of the President (OP-DC Case No. 17-D-094) dated 02 May 2017 and received on 04 May 2017.

<sup>2</sup> Entitled, "A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities".

<sup>3</sup> Entitled, "A Resolution Amending Section 4 of Article 4 and Section 1 of Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities".

<sup>4</sup> Entitled, "A Resolution Adopting the Rules Implementing the Discounts to Qualified Senior Citizen End-Users and Subsidy from the Subsidizing End-Users on Electricity Consumption under Sections 4 and 5 of Republic Act No. 9994".

Where:

$GOUR$  = Refers to (over) or under-recoveries in generation costs during the recovery period expressed in Peso/kWh

$AGC$  = Refers to total allowable generation cost, computed as follows:

$$AGC = \sum_{1..m} \left[ \left( \frac{(GC_i + GC_{ii} + \dots GC_n) - 50\%(PPD_i + PPD_{ii} + \dots PPD_n) - PCR_{GOUR}}{TPG_{GOUR}} \right) S_{GOUR} \right]$$

**Transmission Rate:**

For Customer classes with TR expressed in Peso/kWh:

$$TOUR_N = \frac{[(ATC_N - TRR_N) + rTOUR_N]}{S_{TOUR_N}}$$

For Customer classes with TR expressed in Peso/kW, and Customer classes with TR expressed in both Peso/kWh and Peso/kW:

$$TOUR_N = \frac{[(ATC_N - TRR_N) + rTOUR_N]}{BD_{TOUR_N}}$$

Where:

$TOUR_N$  = Refers to over/under recoveries in transmission cost during the recovery period expressed in Peso/kWh for class N

$ATC_N$  = Refers to the actual transmission cost during the recovery period computed as follows:

$$ATC_N = \sum_{1..m} \left[ \left( \frac{TC - 50\%PFD}{TPG_{TOUR}} \right) S_{TOUR} \right] CP_N$$

**System Loss:**

$$SLOUR = \frac{[(ASLC - ASLR) + rSLOUR]}{S_{SLOUR}}$$

Where:

*SLOUR* = Refers to (over) or under-recoveries in system loss during the recovery period expressed in Peso/kWh

*ASLC* = Allowable System Loss Cost incurred during the recovery period determined as follows:

$$ASLC = ASLC_{Y1} + ASLC_{Y2} + \dots ASLC_{Yn}$$

Where:

$$ASLC_{Y1..n} = \left( \left[ \frac{GTGC_Y}{TPG_Y} + \frac{TC_Y - 50\%PFD_Y}{TPG_Y} \right] U \right) S_Y$$

**Lifeline Subsidy:**

$$LSOUR = \frac{LD}{S_{LSOUR_{NL-TOTAL}}}$$

Where:

*LSOUR* = Refers to (over) or under-recoveries on lifeline subsidy during the recovery period expressed in Peso/kWh

*LD* = Difference between the Total Discounts given to lifeline customers and Total Subsidy collected from non-lifeline customers, computed as follows:

$$LD = \sum_{1..m} (TS - TD)$$

Where:

*TS* = Lifeline subsidy amount collected from non-lifeline customers for month 1 to m, computed as follows:

$$TS = S_{LSOUR_{NL}} \times LSR$$

Where:

*S<sub>LSOUR<sub>NL</sub></sub>* = total kWh consumption of non-lifeline customers for the month

*LSR* = lifeline subsidy rate per kWh collected from non-lifeline customers for the month

*TD* = total discount amount given to lifeline customers for month 1 to m, computed as follows:

$$TD_i = \sum_{j=1..n} [(S_{LSOUR_{Lj}} \times TRate) + (NCust_{Lj} \times Fixed/Cust)] \times D$$

**Senior Citizen Subsidy:**

$$SrDSOUR = \frac{SrDiff_{S-D}}{kWhS_{SrDSOUR_{SEU}}}$$

Where:

*SrDSOUR* = Refers to the (over) or under-recoveries on senior citizen discounts and subsidy during the recovery period subject for verification expressed in PhP/kWh

*SrDiff<sub>S-D</sub>* = Summation of the difference between the total subsidy collected from all subsidizing end-users and the total

discounts granted to senior citizen end-users for each and every recovery month within the period covered by the verification process, computed as follows:

$$SrDiff_{S-D} = \sum_{i...n} (TS_{SEU_i} - TD_{Sr_i})$$

Where:

$TS_{SEU_i}$  = Total amount of subsidy collected from all subsidizing end-users for the recovery month, computed as follows:

$$TS_{SEU_i} = SrSR_{SEU_i} \times kWhS_{SEU_i}$$

Where:

$SrSR_{SEU_i}$  = Senior Citizen Subsidy Rate expressed in Peso/kWh implemented or collected from all subsidizing end-users for the recovery month

$kWhS_{SEU_i}$  = Total kWh Sales to all subsidizing end-users for the recovery month

$TD_{Sr_i}$  = Total amount of discounts implemented or granted to all qualified senior citizen end-users for the recovery month, computed as follows:

$$TD_{Sr_i} = \sum TD_{SrRes_i} + \sum TD_{SrInst_i}$$

Where:

$\sum TD_{SrRes_i}$  = Total amount of discount implemented or granted to all qualified residential

senior citizens customer for the recovery month

$\sum TD_{SrInst_i}$  = Total amount of discount implemented or granted to all qualified senior citizen centers and residential care facilities/institutions or group homes for the recovery month

In its First and Second Applications, SAMELCO II sought the Commission's approval of the following (over)/under recoveries:

<b>PARTICULARS</b>	<b>Proposed (Over)- Under Recoveries under ERC CASE No. 2012-026 CF (In PhP)</b>	<b>Proposed (Over)- Under Recoveries under ERC CASE No. 2015-017 CF (In PhP)</b>	<b>Total (Over)/Under- Recoveries Filed</b>
<b>1. Generation</b>			
Mainland	(3,638,504.40)	(14,084,733.14)	(17,723,237.54)
SPUG	48,240.78	(2,119,160.73)	(2,070,919.95)
<b>2. Transmission</b>	(14,129,253.86)	2,278,399.61	(11,850,854.25)
<b>3. System Loss</b>			
Mainland	(5,634,755.01)	(13,443,725.36)	(19,078,480.37)
SPUG	929,572.90	2,398,408.36	3,327,981.25
<b>4. Lifeline Subsidy</b>	3,846,823.90	(130,585.65)	3,716,238.25
<b>5. ICCS</b>	951,429.58		951,429.58
<b>6. PPD</b>	(128,256.89)	-	(128,256.89)
<b>7. Sr. Citizen Subsidy</b>		(59,913.71)	(59,913.71)
<b>Total</b>	<b>(17,754,703.01)</b>	<b>(25,161,310.63)</b>	<b>(42,916,013.62)</b>

Based on the table above, in its First Application, SAMELCO II proposed a total (over) recovery in the amount of Seventeen Million Seven Hundred Fifty Four Thousand Seven Hundred Three and 01/100 Pesos [(PhP17,754,703.01)].

While for its Second Application, SAMELCO II proposed a total (over) recovery in the amount Twenty Five Million One Hundred Sixty One Thousand Three Hundred Ten and 63/100 Pesos [(PhP25,161,310.63)].

**ERC CASE NO. 2012-026 CF**  
**ERC CASE NO. 2015-017 CF**  
**DECISION/01 AUGUST 2017**  
**Page 16 of 23**

In determining the resulting (over)/under recoveries of SAMELCO II, the Commission consolidated its First and Second Applications for the period of July 2004 to December 2014. In the evaluation thereof, the following considerations were adopted:

<b>Particulars</b>	<b>SAMELCO II's Basis</b>	<b>Commission's Basis</b>
1. Generation	<p>Generation cost was based on the invoices issued by the following power suppliers:</p> <ol style="list-style-type: none"> <li>1. National Power Corporation (NPC) and NPC-Small Power Utilities Group (SPUG) from July 2004 to December 2014;</li> <li>2. Wholesale Electricity Spot Market (WESM) from 2011-2014; and</li> <li>3. GN Power from June 2013 to December 2014.</li> </ol>	The same documents were used in the evaluation.
2. Transmission	Transmission cost was based on invoices of the National Grid Corporation of the Philippines (NGCP).	The same documents were used in the evaluation.
3. Discount: Power Factor Discount (PFD)	Transmission cost was determined net of the 50% PFD availed from NGCP.	The same policy was applied in the evaluation.
4. Pilferage Cost Recoveries	Pilferage recoveries were applied to reduce the generation cost subject of recovery.	The same policy was applied in the evaluation.
5. kWh Purchased	<p>The kWh purchases were based on the invoices issued by the following:</p> <ol style="list-style-type: none"> <li>1. NPC and NPC-SPUG from July 2004 to December 2014;</li> <li>2. WESM from 2011-2014; and</li> <li>3. GN Power from June 2013 to December 2014.</li> </ol>	The same documents were used in the evaluation.



**ERC CASE NO. 2012-026 CF**  
**ERC CASE NO. 2015-017 CF**  
**DECISION/01 AUGUST 2017**  
**Page 17 of 23**

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6. kWh Sales	The kWh Sales of the previous months.	Actual kWh Sales of the current month.
7. System Loss	Actual system loss for the previous twelve (12) months, or the cap, whichever is lower.	Actual annual system loss, or the cap, whichever is lower.
8. Company Use	Starting July 2010, Company Use was included in the Commercial/Low Voltage kWh sales of SAMELCO II.	The same determination as SAMELCO II.
9. Lifeline Subsidy	Computed monthly using previous data.	Computed monthly using current month data.
10. Senior Citizen Subsidy	Computed monthly using previous month data.	Computed monthly using current month data.

In sum, the proposed total (over) recovery of SAMELCO II for its First and Second Applications amounts to Forty Two Million Nine Hundred Sixteen Thousand Thirteen and 62/100 Pesos [(PhP42,916,013.62)].

However, after a careful scrutiny and evaluation of the records and submissions of SAMELCO II, the Commission arrived at a total net (over) recovery in the amount of **Seventy Two Million One Hundred Eighty Eight Thousand Nine Hundred Forty Five and 20/100 Pesos [(PhP72,188,945.20)]**, as shown in the table below:

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Particulars	SAMELCO II's Proposed (Over)/Under Recoveries (ERC Case No. 2012-026 CF and ERC Case No. 2015-017 CF) (PhP)	Commission's Approved Calculated (Over)/Under Recoveries (PhP)	Difference
<b>1. Generation</b>			
Mainland	(17,723,237.54)	(44,350,293.96)	26,627,056.42
SPUG	(2,070,919.95)	(110,372.11)	(1,960,547.84)
<b>2. Transmission</b>	(11,850,854.25)	(26,682,308.38)	14,831,454.13
<b>3. System Loss</b>			
Mainland	(19,078,480.37)	(10,014,915.80)	(9,063,564.57)
SPUG	3,327,981.25	1,005,184.47	2,322,796.78
<b>4. Lifeline Subsidy</b>	3,716,238.25	3,825,327.03	(109,088.78)
<b>5. Inter-Class Cross Subsidy</b>	951,429.58	892,921.99	58,507.60
<b>6. PPD Reinstatement</b>	(128,256.89)	3,318,574.71	(3,446,831.60)
<b>7. Senior Citizen Subsidy</b>	(59,913.71)	(73,063.14)	13,149.44
<b>TOTAL</b>	<b>(42,916,013.62)</b>	<b>(72,188,945.20)</b>	<b>29,272,931.58</b>

In view of the substantial disparity between the total (over)/under recovery claimed by SAMELCO II in both of its Applications and the total (over)/under recovery determined pursuant to the Commission's standards, SAMELCO II is reminded to be more judicious in the preparation of its application submitted before the Commission. SAMELCO II is expected at all times to exude fair dealing which includes careful preparation of information embodied in its application or petition before this Commission.

Consequently, the combined total over recoveries of SAMELCO II for the period 2004 to December 2014 amounts to a total net (over) recovery of **Seventy Two Million One Hundred Eighty Eight Thousand Nine Hundred Forty Five and 20/100 Pesos [(PhP72,188,945.20)]**.

**WHEREFORE**, the foregoing premises considered, both *Applications* filed by SAMELCO II under ERC Case No. 2012-026 CF, for confirmation and approval of its calculations of (over) or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period July 2004 to December 2011, and ERC Case No. 2015-017 CF for confirmation and approval of its calculations of over or under recoveries in the implementation of Automatic Cost Adjustments and True Up

Mechanisms for the period 2012 to 2014 is hereby **APPROVED WITH MODIFICATION.**

**ACCORDINGLY**, SAMELCO II is directed to **REFUND** the following amounts starting on the next billing cycle from receipt hereof:

1. **GENERATION COST** (over) recoveries for **Mainland** amounting to PhP(44,350,293.96), or an equivalent rate of PhP (0.1269)/kWh for a period of 60 months, or until the said amount shall have been fully refunded;
2. **GENERATION COST** (over) recoveries for **SPUG-Zumarraga Island** amounting to PhP(110,372.11), or an equivalent rate of PhP(0.0163)/kWh for a period of 60 months, or until the said amount shall have been fully refunded.
3. **TRANSMISSION COST** (over) recoveries for amounting to PhP(26,682,308.38), or an equivalent rate per customer type as specified below for a period of 60 months, or until the said amount shall have been fully refunded, to wit:

<b>Types of Customers</b>	<b>PhP/kWh</b>	<b>PhP/kW</b>
Residential	(0.0768)	
Low Voltage	(0.0757)	
Higher Voltage		(32.6322)

4. **SYSTEM LOSS** (over) recoveries for **Mainland** amounting to PhP (10,014,915.80), or an equivalent rate of PhP(0.0287)/kWh for a period of 60 months, or until the said amount shall have been fully refunded.
5. **SENIOR CITIZEN SUBSIDY** (over) recoveries for amounting to PhP(73,063.14), or an equivalent rate of PhP(0.0005)/kWh for a period of 12 months, or until the said amount shall have been fully refunded.

Further, SAMELCO II is hereby directed to **COLLECT** the following amounts starting on the next billing cycle from receipt hereof:

1. **SYSTEM LOSS** under recoveries for **SPUG-Zumarraga Island** amounting to PhP1,005,184.47, or its equivalent rate of PhP0.1485/kWh for a period of 60 months, or until the said amount shall have been fully collected from its customers.
2. **LIFELINE RATE SUBSIDY** under recoveries amounting to PhP3,825,327.03, or its equivalent rate of PhP0.0113/kWh for a period of 60 months, or until the said amount shall have been fully collected from its non-lifeline customers.
3. **INTER-CLASS CROSS SUBSIDY** under recoveries amounting to PhP892,921.99, or its equivalent rate of PhP0.0378/kWh for a period of 12 months, or until the said amount shall have been fully collected from its subsidizing customers.
4. **REINSTATED PROMPT PAYMENT DISCOUNT** under recoveries amounting to PhP3,318,574.71, or its equivalent rate per customer class as specified below for a period of 36 months, or until the said amount shall have been fully collected, to wit:

<b>Customer Class</b>	<b>PhP/kWh</b>	<b>PhP/Customer/ Month</b>
Residential	0.0207	
Low Voltage		3.7339
Higher Voltage		21.9331

In connection to the foregoing, SAMELCO II is hereby directed to:

- a) **SUBMIT** within ten (10) days from its implementation, a sworn statement indicating its compliance with the aforesaid directives;

- b) **REFLECT** the (over) or under recoveries in the monthly computations of Generation Rate (GR), Transmission Rate (TR), System Loss Rate (SLR), Lifeline Subsidy Rate (LSR) and Senior Citizen Subsidy Rate (SrSR) as "OGA" for Generation, "OTCA" for Transmission, "OSLA" for System Loss, "OLRA" for Lifeline Subsidy and "OSrRA" for Senior Citizen Subsidy;
- c) **REFLECT** the under recoveries for Inter Class Cross Subsidy (ICCS) and Reinstated Prompt Payment Discount (RPPD) as separate line items in the bill using the phrases "ICCS Adj." and "PPD Adj.", respectively; and
- d) **ACCOMPLISH** and **SUBMIT** a report in accordance with the attached prescribed format, on or before 30<sup>th</sup> day of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully refunded or collected.

**SO ORDERED.**


Pasig City, 01 August 2017.

**JOSE VICENTE B. SALAZAR\***  
*Chairman and CEO*

  
**ALFREDO J. NON**  
*Commissioner*

  
**GLORIA VICTORIA C. YAP-TARUC**  
*Commissioner*

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Commissioner*

  
**GERONIMO D. STA. ANA**  
*Commissioner*

IED: RMA/CSG/NDC/FGED

LS: IHH/ISP/APV

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\* The Chairman was placed on preventive suspension as per Order of the Office of the President (OP-DC Case No. 17-D-094) dated 02 May 2017 and received on 04 May 2017.

**ERC CASE NO. 2012-026 CF**  
**ERC CASE NO. 2015-017 CF**  
**DECISION/01 AUGUST 2017**  
**Page 22 of 23**

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Copy Furnished:

1. Dechavez & Evangelista Law Offices  
*Counsel for Applicant SAMELCO II*  
Units 1609-1610, Tycoon Centre, Pearl Drive, Ortigas Avenue, Pasig City
2. Samar II Electric Cooperative, Inc. (SAMELCO II)  
Paranas, Samar
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit  
Commonwealth Avenue, Quezon City, Metro Manila
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City, Metro Manila
6. House Committee on Energy  
Batasan Hills, Quezon City, Metro Manila
7. President  
Philippine Chamber of Commerce and Industry (PCCI)  
McKinley Hill, Fort Bonifacio, Taguig
8. Office of the Provincial Governor  
Province of Samar
9. Office of the Local Government Unit (LGU) legislative Body  
Province of Samar
10. Office of the Municipal Mayor  
Calbiga, Samar
11. Office of the LGU legislative Body  
Calbiga, Samar
12. Office of the Municipal Mayor  
Daram, Samar
13. Office of the LGU legislative Body  
Daram, Samar
14. Office of the Municipal Mayor  
Talalora, Samar
15. Office of the LGU legislative Body  
Talalora, Samar
16. Office of the Municipal Mayor  
San Jose de Buan, Samar
17. Office of the LGU legislative Body  
San Jose de Buan, Samar
18. Office of the Municipal Mayor  
Motiong, Samar
19. Office of the LGU legislative Body  
Motiong, Samar
20. Office of the Municipal Mayor  
Jiabong, Samar

**ERC CASE NO. 2012-026 CF**  
**ERC CASE NO. 2015-017 CF**  
**DECISION/01 AUGUST 2017**  
**Page 23 of 23**

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21. Office of the LGU legislative Body  
Jiabong, Samar
22. Office of the City Mayor  
Catbalogan, Samar
23. Office of the LGU legislative Body  
Catbalogan, Samar
24. Office of the Municipal Mayor  
Villareal, Samar
25. Office of the LGU legislative Body  
Villareal, Samar
26. Office of the Municipal Mayor  
San Sebastian, Samar
27. Office of the LGU legislative Body  
San Sebastian, Samar
28. Office of the Municipal Mayor  
Paranas, Samar
29. Office of the LGU legislative Body  
Paranas, Samar
30. Office of the Municipal Mayor  
Hinabangan, Samar
31. Office of the LGU legislative Body  
Hinabangan, Samar
32. Office of the Municipal Mayor  
Basey, Samar
33. Office of the LGU legislative Body  
Basey, Samar
34. Office of the Municipal Mayor  
Zumarraga, Samar
35. Office of the LGU legislative Body  
Zumarraga, Samar
36. Office of the Municipal Mayor  
Santa Rita, Samar
37. Office of the LGU legislative Body  
Santa Rita, Samar
38. Office of the Municipal Mayor  
Pinabacdao, Samar
39. Office of the LGU legislative Body  
Pinabacdao, Samar
40. Office of the Municipal Mayor  
Marabut, Samar
41. Office of the LGU legislative Body  
Marabut, Samar
42. Investigation and Enforcement Division  
17<sup>th</sup> Floor, Pacific Center Building , San Miguel Avenue, Pasig City

**Other Generation Rate Adjustment (OGA) Charge**

Name of DU: \_\_\_\_\_  
 ERC Case No.: \_\_\_\_\_  
 Order Date: \_\_\_\_\_  
 Total Amount to be Collected: \_\_\_\_\_  
 Rate per kWh (PhP/kWh): \_\_\_\_\_

This report should be submitted on or before the 30th of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully recovered.

**Other Generation Rate Adjustment (OGA) Charge  
 Amount Collected/Refund  
 For the Period Covering \_\_\_\_\_**

Month	Rate/kWh	kWh Sold <sup>1</sup>	Amount Collected	Balance in Amount
<b>Beginning Balance</b>				<b>0.00</b>
<b>Customer Class</b>				
1.				
2.				
3.				
4.				
5.				
<b>TOTAL</b>				
<b>Ending Balance</b>				<b>0.00</b>

<sup>1</sup>/ Indicate the kWh sold used in the calculation of collect.

Prepared by: \_\_\_\_\_  
 (Name & Position)

Reviewed by: \_\_\_\_\_  
 Finance/Billing Manager

Certified True and Correct: \_\_\_\_\_  
 General Manager

OATH  
 SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_ at \_\_\_\_\_  
 The affiant exhibited to me his/her CTC No. \_\_\_\_\_ Issued on \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
 Notary Public



**Other Transmission Cost Adjustment (OTCA) Charge**

Name of DU: \_\_\_\_\_  
 ERC Case No.: \_\_\_\_\_  
 Order Date: \_\_\_\_\_  
 Total Amount to be Collected: \_\_\_\_\_  
 Rate per kWh (PhP/kWh): \_\_\_\_\_

This report should be submitted on or before the 30th of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully recovered.

**Other Transmission Cost Adjustment (OTCA) Charge  
 Amount Collected  
 For the Period Covering \_\_\_\_\_**

Month	Rate/kWh	kWh Sold <sup>1</sup>	Amount Collected	Balance in Amount
<b>Beginning Balance</b>				<b>0.00</b>
<b>Customer Class</b>				
1.				
2.				
3.				
4.				
5.				
<b>TOTAL</b>				
<b>Ending Balance</b>				<b>0.00</b>

<sup>1</sup>/ Indicate the kWh sold used in the calculation of collect.

Prepared by: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Certified True and Correct: \_\_\_\_\_  
 (Name & Position) Finance/Billing Manager General Manager

OATH  
 SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_ at \_\_\_\_\_  
 The affiant exhibited to me his/her CTC No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
 Notary Public

**Other System Loss Cost Adjustment (OSLA) Charge**

Name of DU: \_\_\_\_\_  
 ERC Case No.: \_\_\_\_\_  
 Order Date: \_\_\_\_\_  
 Total Amount to be Collected: \_\_\_\_\_  
 Rate per kWh (PhP/kWh): \_\_\_\_\_

This report should be submitted on or before the 30th of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully recovered.

**Other System Loss Cost Adjustment (OSLA) Charge  
 Amount Collected/Refund  
 For the Period Covering \_\_\_\_\_**

Month	Rate/kWh	kWh Sold <sup>1</sup>	Amount Collected	Balance in Amount
<b>Beginning Balance</b>				<b>0.00</b>
<b>Customer Class</b>				
1.				
2.				
3.				
4.				
5.				
<b>TOTAL</b>				
<b>Ending Balance</b>				<b>0.00</b>

<sup>1</sup>/ Indicate the kWh sold used in the calculation of collect.

Prepared by: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Certified True and Correct: \_\_\_\_\_  
 (Name & Position) Finance/Billing Manager General Manager

OATH  
 SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_ at \_\_\_\_\_  
 The affiant exhibited to me his/her CTC No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_

\_\_\_\_\_  
 Notary Public

**Other Lifeline Rate Cost Adjustment (OLRA) Charge**

Name of DU: \_\_\_\_\_  
 ERC Case No.: \_\_\_\_\_  
 Order Date: \_\_\_\_\_  
 Total Amount to be Collected: \_\_\_\_\_  
 Rate per kWh (PhP/kWh): \_\_\_\_\_

This report should be submitted on or before the 30th of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully recovered.

**Other Lifeline Rate Cost Adjustment (OLRA) Charge**  
**Amount Collected/Refund**  
 For the Period Covering \_\_\_\_\_

Month	Rate/kWh	kWh Sold <sup>1</sup>	Amount Collected	Balance in Amount
<b>Beginning Balance</b>				<b>0.00</b>
<b>Customer Class</b>				
1.				
2.				
3.				
4.				
5.				
<b>TOTAL</b>				
<b>Ending Balance</b>				<b>0.00</b>

<sup>1</sup>/ Indicate the kWh sold used in the calculation of collect.

Prepared by: \_\_\_\_\_ Reviewed by: \_\_\_\_\_ Certified True and Correct: \_\_\_\_\_  
 (Name & Position) Finance/Billing Manager General Manager

OATH  
 SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_ at \_\_\_\_\_  
 The affiant exhibited to me his/her CTC No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_

\_\_\_\_\_  
 Notary Public

**Senior Citizen Discount & Subsidy Over Under Recovery**

Name of DU: \_\_\_\_\_  
 ERC Case No.: \_\_\_\_\_  
 Order Date: \_\_\_\_\_  
 Total Amount to be Collected: \_\_\_\_\_  
 Rate per kWh (PhP/kWh): \_\_\_\_\_

This report should be submitted on or before the 30th of the following month, together with the monthly reportorial requirement, and every month thereafter until the amount shall have been fully recovered.

**Senior Citizen Discount & Subsidy Over Under Recovery  
 Amount Collected/Refund  
 For the Period Covering \_\_\_\_\_**

Month	Rate/kWh	kWh Sold <sup>1</sup>	Amount Collected	Balance in Amount
<b>Beginning Balance</b>				<b>0.00</b>
<b>Customer Class</b>				
1.				
2.				
3.				
4.				
5.				
<b>TOTAL</b>				
<b>Ending Balance</b>				<b>0.00</b>

<sup>1</sup> / Indicate the kWh sold used in the calculation of collect.

Prepared by: \_\_\_\_\_  
 (Name & Position)

Reviewed by: \_\_\_\_\_  
 Finance/Billing Manager

Certified True and Correct: \_\_\_\_\_  
 General Manager

OATH

SUBSCRIBED AND SWORN to before me this \_\_\_\_\_ day of \_\_\_\_\_, 201\_\_\_\_ at \_\_\_\_\_  
 The affiant exhibited to me his/her CTC No. \_\_\_\_\_ issued on \_\_\_\_\_ at \_\_\_\_\_.

\_\_\_\_\_  
 Notary Public