

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 FOR THE PERIOD  
2011 TO 2013, PURSUANT TO  
ERC RESOLUTION NO. 16,  
SERIES OF 2009 AS AMENDED  
BY RESOLUTION NO. 21, SERIES  
OF 2010, AND ERC  
RESOLUTION 23, SERIES OF  
2010

ERC CASE NO. 2014-025 CF

SORSOGON I ELECTRIC  
COOPERATIVE, INC. (SORECO  
I),

Applicant.

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BOOKED  
Date: JAN 28 2015

## ORDER

On March 31, 2014, the Sorsogon I Electric Cooperative, Inc. (SORECO I) filed an application for confirmation and approval of its calculations of over/under recoveries in the implementation of Automatic Cost Adjustments and True Up Mechanisms pursuant to Commission's Resolution No. 16<sup>1</sup>, Series of 2009 as amended by Resolution No. 21<sup>2</sup>, Series of 2010, and ERC Resolution No. 23, Series of 2010.

<sup>1</sup> "A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities."

<sup>2</sup> "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."

In the said application, SORECO I alleged, among others, that:

1. It 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 Gulang-Gulang, Irosin, Sorsogon;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the Municipalities of Bulusan, Bulan, Casiguran, Irosin, Juban, Magallanes, Matnog and Sta. Magdalena, all in the Province of Sorsogon;
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 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. The Commission's 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. Further, ERC Resolution 16, Series of 2009 likewise requires Distribution Utilities to file similar application for confirmation of over/under recoveries in the implementation of the above mentioned allowable costs every three (3) years from the last prescribed schedule of filing;

5. Sometime on March 31, 2011, it filed an application with the Commission for confirmation of its calculations of over or under-recoveries in the implementation of the above-referenced pass through charges, covering the period 2004 to 2010, docketed as ERC Case No. 2011-006 CF, and on November 2, 2011, the Commission rendered its decision directing the cooperative to recover certain under-recoveries and to refund certain over-recoveries;
6. In further compliance with the ERC requirement to file a similar application covering applicable pass through charges after three (3) years from the last prescribed filing, the cooperative made its calculations of over/under-recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period January 2011 to December 2013;
7. The result of its calculations of the over/under-recoveries covering years 2011 to 2013, is presented below, as follows:

	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation Rate (GR)	508,059,674.18	498,860,374.84	9,199,299.34
Transmission Rate (TR)	157,311,121.68	156,797,867.39	513,254.29
System Loss Rate (SLR)	105,199,860.77	98,931,569.14	6,268,291.63
Lifeline Rate (LR)	15,692,634.76	15,671,601.47	21,033.29
Senior Citizen Discount	379,866.47	386,201.44	(6,334.97)
<b>Net Results</b>			<b>15,995,543.58</b>

8. With respect to ERC Case No. 2011-006 CF, the Commission directed it to refund among others, the amount of PhP1,166,914.16 representing over-recoveries in the Inter-Class Cross Subsidy (ICCS), as follows:

*“d. INTER-CLASS CROSS SUBSIDY over-recoveries amounting to One Million One Hundred Sixty-Six Thousand Nine Hundred Fourteen and 16/100 Pesos (PhP1,166,914.16), equivalent to PhP0.0552/kWh to low and higher voltage customers.*

9. In implementing the refund however, the cooperative committed an error such that, it made the refund likewise to residential customers, and made an over-refund of

PhP152,952.50 as of October 2013. The refunds made are presented below, as follows, to wit:

Particulars		Approved ICCS Rate (PhP/kWh)	YEAR 2013							
			March	April	May	June	July	August	September	October
Beginning Balance (PhP)			(1,166,914.16)	(1,035,802.15)	(868,462.02)	(685,003.51)	(509,465.84)	(346,381.21)	(177,583.66)	(13,405.13)
Residential ( for Non-lifeliners)		(0.0552)	(89,013.92)	(116,296.30)	(132,406.36)	(123,273.14)	(112,281.99)	(116,573.57)	(113,157.68)	(113,881.68)
Low Voltage	Streetlights	(0.0552)	(2,206.51)	(2,242.00)	(2,315.42)	(2,367.09)	(2,308.41)	(2,548.36)	(2,485.16)	(2,661.69)
	Commercial	(0.0552)	(19,886.96)	(24,879.36)	(25,093.86)	(25,040.32)	(22,877.70)	(22,921.08)	(23,859.32)	(23,811.13)
	Public Bldg.	(0.0552)	(10,018.80)	(9,767.14)	(10,666.24)	(11,796.30)	(13,088.97)	(12,615.68)	(12,997.89)	(12,479.34)
	Industrial	(0.0552)	(5,699.87)	(8,255.00)	(6,930.24)	(6,917.07)	(7,209.93)	(7,302.66)	(6,192.37)	(8,999.82)
High Voltage	Industrial	(0.0552)	(4,285.95)	(5,900.33)	(6,046.39)	(6,143.76)	(5,317.64)	(6,836.19)	(5,486.11)	(4,523.97)
Total			(131,112.01)	(167,340.13)	(183,458.51)	(175,537.67)	(163,084.63)	(168,797.55)	(164,178.52)	(166,357.63)
Ending Balance (PhP)			(1,035,802.15)	(868,462.02)	(685,003.51)	(509,465.84)	(346,381.21)	(177,583.66)	(13,405.13)	152,952.50

10. Considering the above, it likewise intends to recover in the instant application the above-mentioned erroneous refund of ICCS to residential customers, to pay said erroneous refund to low voltage and higher voltage customers, and to recover over-refund of PhP152,952.50 in the ICCS over-recoveries;
11. In support of the computations made, applicant is submitting the following data and documents, which are being made integral parts hereof as follows, to wit:
  - a) Summary of results of the calculations of over or under recoveries for the period January 2011 to December 2013 as Annex "A";
  - b) Computation of over refund of Inter Class Cross Subsidy (ICCS) over-recoveries under ERC Case No. 2011-006 CF as Annex "B"; and
  - c) Supplier and Transmission Data Sheet, Statistical Data Sheet, Implemented Rates Data Sheet, Power Bills of Power Suppliers, Official Receipts issued by Power Suppliers, Breakdown of Payments with Official Receipts, Debit/Credit Memo of Power Suppliers, NGCP Invoices, Official Receipts issued by NGCP, Breakdown of Payments with Official Receipts, Debit/Credit Memo issued by NGCP, MFSR (Sections B and E), Consumer Bills of Lifeliners (per level) and Non-Lifeliners per customer class as Annex "C";

12. Considering the foregoing, it is prays that the its calculations of over or under-recoveries in the implementation of the automatic cost adjustments covering the period January 2011 to December 2013, together with the erroneous as well as over-refund of Inter-Class Cross Subsidy (ICCS) over-recoveries under ERC Case No. 2011-006 CF, be confirmed and approved by the Commission; and

13. It further prays that the Commission, after due notice and hearing:

13.1 Its calculations of over or under-recoveries in the implementation of automatic cost adjustments and true-up mechanisms covering the period January 2011 to December 2013, be confirmed and approved, and the it 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:

	<b>Allowable Cost (PhP)</b>	<b>Actual Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation Rate (GR)	508,059,674.18	498,860,374.84	9,199,299.34
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Lifeline Rate (LR)	15,692,634.76	15,671,601.47	21,033.29
Senior Citizen Discount	379,866.47	386,201.44	(6,334.97)
<b>Net Results</b>			<b>15,995,543.58</b>

13.2 It be allowed to recover from its residential customers the erroneous refund of Inter-Class Cross Subsidy over-recoveries provided under ERC Case No. 2011-006 CF and to refund the same to its low voltage and higher voltage customers, and to recover the over-refund of PhP152,952.50 in the ICCS over-recoveries.

Finding the said application sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **February 20, 2015 (Friday) at nine o'clock in the morning (9:00 A.M.)**, at the ERC Hearing Room, **15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City**.

SORECO I is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant amended application, its reasons therefor and of the scheduled hearing thereon.

Let copies of the application, this Order, and the attached Notice of Public Hearing be furnished 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 hearings.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of Sorsogon and the Mayors of the Municipalities within the franchise area of SORECO I for the appropriate posting thereof on their respective bulletin boards.

SORECO I is hereby directed to furnish all those making requests therefor with copies of the supplemental application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, SORECO I must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where said Notice of Public Hearing was published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

SORECO I and all interested parties are directed 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:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-Trial Brief.

Failure of SORECO I to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the pre-trial conference, SORECO I must also be prepared to make an expository presentation of its 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, January 20, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**ZENAIDA G. CRUZ-DUCUT**  
Chairperson *per 4*

**Copy Furnished:**

1. **LERIOS-AMBOY AND DELOS REYES LAW OFFICES**  
Counsels for SORECO I  
Units 1609-1610, Tycoon Centre  
Pearl Drive, Ortigas Avenue, Pasig City
2. **SORSOGON I ELECTRIC COOPERATIVE, INC. (SORECO I)**  
Barangay Gulang-Gulang, Irosin, Sorsogon
3. **The Office of the Solicitor General**  
234 Amorsolo Street, Legaspi Village, Makati City  
Metro Manila
3. **The Commission on Audit**  
Don Mariano Marcos Avenue  
Diliman, Quezon City, Metro Manila
4. **The Senate Committee on Energy**  
Senate of the Philippines  
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
5. **The House Committee on Energy**  
House of Representatives  
Batasan Hills, Quezon City, Metro Manila
6. **Office of the President of PCCI**  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue  
Makati City
7. **Office of the Municipal Mayor**  
Bulusan, Sorsogon
8. **Office of the Municipal Mayor**  
Bulan, Sorsogon
9. **Office of the Municipal Mayor**  
Casiguran, Sorsogon
10. **Office of the Municipal Mayor**  
Irosin, Sorsogon



- 11. Office of the Municipal Mayor**  
Juban, Sorsogon
- 12. Office of the Municipal Mayor**  
Magallanes, Sorsogon
- 13. Office of the Municipal Mayor**  
Matnog, Sorsogon
- 14. Office of the Municipal Mayor**  
Sta. Magdalena, Sorsogon
- 15. Office of the Provincial Governor**  
Province of Sorsogon