

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



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF THE OVER/UNDER
RECOVERIES BASED ON THE
FORMULA ON THE VARIOUS
AUTOMATIC COST
ADJUSTMENTS AND TRUE-UP
MECHANISM AND
CORRESPONDING
CONFIRMATION PROCESS
PURSUANT TO ERC
RESOLUTION NO. 16, SERIES OF
2009 AND RESOLUTION NO. 21,
SERIES OF 2010**

ERC CASE NO. 2015-012 CF

**CEBU III ELECTRIC
COOPERATIVE, INC. (CEBECO
III),**

Applicant.

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D O C K E T E D
Date: AUG 26 2015
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ORDER

On March 30, 2015, Cebu III Electric Cooperative, Inc. (CEBECO III) filed an application for approval of the over/under recoveries based on the formula on the various automatic cost adjustments and true-up mechanism and corresponding confirmation process pursuant to ERC Resolution No. 16, Series of 2009 and Resolution No. 21, Series of 2010.

In the said application, CEBECO III alleged, among others, the following:

1. It is an electric cooperative existing pursuant to Presidential Decree No. 269 (P.D. 269), as amended. It has its postal address at Luray II, Toledo City, Cebu. It may be served

with the processes of the Commission through its General Manager, Virgilio C. Fortich whose authority is pursuant to Board Resolution No. 26, series of 2015 dated March 14, 2015, attached to the application as Annex "A" and made an integral part thereof;

2. It holds an exclusive franchise issued by the National Electrification Administration (NEA) to operate an electric light and power distribution service in the City of Toledo and the Municipalities of Aloguinsan, Pinamungajan, Balamban and Asturias, all in the Province of Cebu;
3. It filed its application in compliance with the Commission's Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010, requiring all the Distribution Utilities (DUs) to file their respective consolidated application for over/under recoveries;
4. The foregoing guidelines were adopted and issued by the Commission in the furtherance of the following reasons:
 - 4.a The Commission has adopted several automatic cost adjustment mechanisms in separate issuances and it is deemed ideal to consolidate, update and rationalize the requirements under all said separate issuances;
 - 4.b The Commission finds it necessary to establish a systematic confirmation process that conform to the due process requirement of the law for the following automatic cost adjustment and true-up mechanisms:
 1. Automatic Generation Rate and System Loss Adjustment Mechanism;
 2. Transmission Rate Adjustment Mechanism;
 3. Lifeline Rate Recovery Mechanism;
 4. Local Franchise Tax Recovery Mechanism;
 5. Local Business Tax Recovery Mechanism;
 6. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
 7. Guidelines for the True-Up Mechanism of the Over or Under Recovery in the Implementation of Inter-Class Cross Subsidy Removal by the Distribution Utilities;

8. ERC Resolution No. 12, Series of 2005, "A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)";
 9. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities; and
 10. Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates;
5. It 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 its implementation of the foregoing automatic cost adjustments and true-up mechanisms;
6. The results of its calculations are presented hereunder, as follows:

Particulars	Allowable Cost/ Pass Thru Cost (PhP)	Actual Recovery (PhP)	(Over)/Under (PhP)
Generation Rate	1,167,006,631.29	1,184,809,992.10	(17,803,360.81)
Transmission Rate	61,111,796.62	59,694,804.56	1,416,992.06
System Loss Rate	122,782,384.72	123,926,849.83	(1,144,465.11)
Lifeline Subsidy	32,366,107.62	32,403,687.07	(37,579.45)
Senior Citizen Subsidy	246,622.06	242,066.27	4,555.79
TOTAL	1,383,020,298.19	1,401,077,399.83	(17,563,857.52)

7. The foregoing amounts were based on the computations attached to the application and marked as Annexes "B" to "F";
8. In support of the computations made, it is submitting the following data and documents, labeled together and made an integral part of the application, to wit:

As Annex:

- "G" - Power Supply Data Sheet;
- "H" - Statistical Data Sheet;
- "I" - Implemented Rates Data Sheet;
- "J" - Power Bills of Power Suppliers;
- "K" - Official Receipts (O.R.) issued by Power Suppliers;
- "L" - Breakdown of Payment with O.R.

"M"	-	Debit/Credit Memo of Power Suppliers;
"N"	-	National Transmission Corporation (TRANSCO)/National Grid Corporation of the Philippines (NGCP)/BEZ Invoices;
"O"	-	O.R. issued by transmission providers;
"P"	-	Breakdown of Payment with O.R.;
"Q"	-	Debit/Credit Memo issued by transmission providers;
"R"	-	DU-MO1 and DU-MO2, MFSR;
"S"	-	Consumer Bills per level per customer class;
"T"	-	Computation of Generation Rate;
"U"	-	Computation of System Loss Rate;
"V"	-	Computation of Transmission Rate;
"W"	-	Computation of Lifeline Subsidy Rate; and
"X"	-	Computation of Senior Citizen Subsidy Rate;

9. In compliance with Rule 6, section 2 of the Commission's Rules of Practice and Procedure, copies of its application and its annexes had been furnished the legislative body of the Municipality of Toledo where it principally operates and the legislative body of the Province of Cebu;
10. As proof of compliance of the service of the copies of its application together with all its annexes and accompanying documents is the certification issued by the legislative body of Toledo city marked as Annex "Y" and stamped "RECEIVED" on the first page of the application, evidencing its receipt by the said legislative body;
11. Prior to the filing of its application, a pre-filing conference was conducted to determine the completeness of its supporting documents attached to the application; and
12. It prays that the calculations of over/under recoveries presented in the instant application be approved, and that it be allowed to refund/collect said over/under recoveries from its customers.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **October 6, 2015 (Tuesday) 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.

CEBECO III 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 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 hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of Cebu and the Mayors of City and Municipalities within CEBECO III's franchise area for the appropriate posting thereof on their respective bulletin boards.

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

On the date of the initial hearing, CEBECO III must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on 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 City/Municipal Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspapers where the 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.

CEBECO III 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 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 CEBECO III 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, CEBECO III 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, August 17, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman



Copy Furnished:

1. **A.C. GAVIOLA LAW OFFICE**
Counsel for Applicant CEBECO III
Rm. 203, 2/F Crown Port View Hotel
3rd Avenue, North Reclamation Area, Cebu City
2. **CEBU III ELECTRIC COOPERATIVE, INC. (CEBECO I)**
Attention: MR. VIRGILIO C. FORTICH
General Manager
Luray II, Toledo City, Cebu

The Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila

3. **The Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
4. **The Senate Committee on Energy**
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
5. **The House Committee on Energy**
Batasan Hills, Quirino City, Metro Manila
6. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
7. **Office of the City Mayor**
City of Toledo
Province of Cebu
8. **Office of the Municipal Mayor**
Municipality of Aloguinsan
Province of Cebu
9. **Office of the Municipal Mayor**
Municipality of Pinamungajan
Province of Cebu
10. **Office of the Municipal Mayor**
Municipality of Balamban
Province of Cebu
11. **Office of the Municipal Mayor**
Municipality of Asturias
Province of Cebu