

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



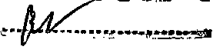
**IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF CALCULATIONS OF OVER OR UNDER RECOVERIES IN THE IMPLEMENTATION OF AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS FOR THE PERIOD 2013 TO 2015, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY RESOLUTION NO. 21, SERIES OF 2010 AND ERC RESOLUTION NO. 23, SERIES OF 2010**

**ERC CASE NO. 2016-009 CF**

**SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC. (SURNECO),**

**Applicant.**

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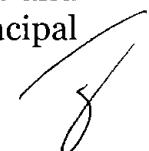
DOCKETED  
Date: JUN 01 2016  
By: 

**ORDER**

On 30 March 2016, the Surigao Del Norte Electric Cooperative, Inc. (SURNECO) filed an 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 2013 to 2015, 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*.

In the said Application, SURNECO alleged the following:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal



office address at No 01308 Narciso corner Espina Sts., Surigao City;

2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in Surigao City as well as certain municipalities in the Province of Surigao del Norte, namely: Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Taganaan, and Tubod.

### **LEGAL BASIS 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;

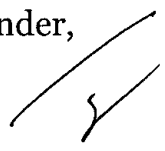
4. On the other hand, ERC Resolution No. 23, Series of 2010, adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;

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 of January 2013 to December 2015.

### **OVER OR UNDER RECOVERIES OF ALLOWABLE COSTS**

6. Applying the formulas provided under Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010 and Resolution No. 23, Series of 2010, applicant made calculations of the over recoveries charged or under recoveries incurred as against its customers, in the implementation of certain automatic cost adjustments and true-up mechanisms, covering the period January 2013 to December 2015;

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



|  | Allowable Cost<br>(PhP)             | Actual Revenue<br>(PhP)                | (Over)/Under<br>Recovery (PhP) |
|--|-------------------------------------|--|--------------------------------|
| <b>Generation Rate (GR)</b>                |                                     |  |                                |
| A. Main Grid                               | 1,482,868,221.83                    | 1,485,496,200.69                       | (2,627,978.86)                 |
| B. Hikdop                                  | 2,165,976.58                        | 2,183,684.79                           | (17,708.21)                    |
| C. Sale for Resale                         | 1,172,477.22                        | 1,172,594.48                           | (117.26)                       |
| <b>Transmission Rate (TR)</b>              |                                     |  |                                |
| A. Main Grid                               | 297,472,386.71                      | 307,664,017.05                         | (10,191,630.34)                |
| <b>System Loss Rate (SLR)</b>              |                                     |  |                                |
| A. Main Grid                               | 225,812,090.96                      | 238,194,162.39                         | (12,382,071.43)                |
| B. Hikdop                                  | 362,000.44                          | 373,407.28                             | (11,406.84)                    |
| C. Sale for Resale                         | 135,106.02                          | 167,046.63                             | (31,940.60)                    |
|  | <b>Discount<br/>(PhP)</b>           | <b>Subsidy<br/>(PhP)</b>               |                                |
| <b>Lifeline Rate (LR)</b>                  |                                     |  |                                |
| A. Main Grid                               | 6,502,758.49                        | 6,704,665.98                           | (201,907.49)                   |
| B. Hikdop                                  | 512,610.18                          | 5,233.62                               | 507,376.55                     |
| C. Sale for Resale                         | 93,452.35                           | 3,187.76                               | 90,264.59                      |
| <b>Senior Citizen Discount and Subsidy</b> |                                     |  |                                |
| A. Main Grid                               | 729,220.74                          | 634,620.67                             | 94,600.07                      |
| B. Hikdop                                  | 994.91                              | 493.79                                 | 501.12                         |
| C. Sale for Resale                         | -                                   | 352.73                                 | (352.73)                       |
|  | <b>Franchise Tax<br/>Paid (PhP)</b> | <b>Franchise Tax<br/>Revenue (PhP)</b> |                                |
| <b>Franchise Tax</b>                       |                                     |  |                                |
| A. Main Grid                               | 1,255,020.36                        | 1,385,938.03                           | (130,917.67)                   |
| <b>Net Results</b>                         |                                     |  |                                |
| A. Main Grid                               |                                     |  | (25,439,905.73)                |
| B. Hikdop                                  |                                     |  | 478,762.62                     |
| C. Sale for Resale                         |                                     |  | 57,854.00                      |

**SUPPORTING DATA AND DOCUMENTS**

8. In support of the foregoing, applicant is submitting the following data and documents covering the period January 2013 to December 2015, labelled together and made integral part hereof as Annex "A", to wit:

- a) Summary of the results of individual calculations of over or under recoveries made on the subject allowable costs;
- b) Supplier and Transmission Data;
- c) Statistical Data;
- d) Implemented Rates Data;
- e) Power Bills of Power Suppliers;
- f) Official Receipts issued by Power Suppliers;
- g) Debit/Credit Memo of Power Suppliers;
- h) MFSR (Sections B and E);
- i) DU-MO1 and DU-MO2;



j) Consumer Bills of Lifeliners (per level), Non-Lifeliners per (customer class), and Senior Citizens (per level).

9. Considering the foregoing, it is respectfully prayed that the cooperative'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, SURNECO's calculations of over or under recoveries in the implementation of certain automatic cost adjustments and true-up mechanisms covering the period January 2013 to December 2015, made 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 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:

|  | <b>Allowable Cost<br/>(PhP)</b> | <b>Actual Revenue<br/>(PhP)</b> | <b>(Over)/Under<br/>Recovery (PhP)</b> |
|--|---------------------------------|---------------------------------|--|
| <b>Generation<br/>Rate (GR)</b>                        |                                 |                                 |  |
| A. Main Grid   | <b>1,482,868,221.83</b>         | <b>1,485,496,200.69</b>         | <b>(2,627,978.86)</b>                  |
| B. Hikdop  | <b>2,165,976.58</b>             | <b>2,183,684.79</b>             | <b>(17,708.21)</b>                     |
| C. Sale for<br>Resale                                  | <b>1,172,477.22</b>             | <b>1,172,594.48</b>             | <b>(117.26)</b>                        |
| <b>Transmission<br/>Rate (TR)</b>                      |                                 |                                 |  |
| A. Main Grid   | <b>297,472,386.71</b>           | <b>307,664,017.05</b>           | <b>(10,191,630.34)</b>                 |
| <b>System Loss<br/>Rate (SLR)</b>                      |                                 |                                 |  |
| A. Main Grid   | <b>225,812,090.96</b>           | <b>238,194,162.39</b>           | <b>(12,382,071.43)</b>                 |
| B. Hikdop  | <b>362,000.44</b>               | <b>373,407.28</b>               | <b>(11,406.84)</b>                     |
| C. Sale for<br>Resale                                  | <b>135,106.02</b>               | <b>167,046.63</b>               | <b>(31,940.60)</b>                     |
|  | <b>Discount<br/>(PhP)</b>       | <b>Subsidy<br/>(PhP)</b>        |  |
| <b>Lifeline Rate<br/>(LR)</b>                          |                                 |                                 |  |
| A. Main Grid   | <b>6,502,758.49</b>             | <b>6,704,665.98</b>             | <b>(201,907.49)</b>                    |
| B. Hikdop  | <b>512,610.18</b>               | <b>5,233.62</b>                 | <b>507,376.55</b>                      |
| C. Sale for<br>Resale                                  | <b>93,452.35</b>                | <b>3,187.76</b>                 | <b>90,264.59</b>                       |
| <b>Senior<br/>Citizen<br/>Discount and<br/>Subsidy</b> |                                 |                                 |  |

|                      |                                 |                                    |                        |
|----------------------|---------------------------------|------------------------------------|------------------------|
| A. Main Grid         | <b>729,220.74</b>               | <b>634,620.67</b>                  | <b>94,600.07</b>       |
| B. Hikdop            | <b>994.91</b>                   | <b>493.79</b>                      | <b>501.12</b>          |
| C. Sale for Resale   | -                               | <b>352.73</b>                      | <b>(352.73)</b>        |
|                      | <b>Franchise Tax Paid (Php)</b> | <b>Franchise Tax Revenue (Php)</b> |                        |
| <b>Franchise Tax</b> |                                 |                                    |                        |
| A. Main Grid         | <b>1,255,020.36</b>             | <b>1,385,938.03</b>                | <b>(130,917.67)</b>    |
| <b>Net Results</b>   |                                 |                                    |                        |
| A. Main Grid         |                                 |                                    | <b>(25,439,905.73)</b> |
| B. Hikdop            |                                 |                                    | <b>478,762.62</b>      |
| C. Sale for Resale   |                                 |                                    | <b>57,854.00</b>       |

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

Finding the said Application sufficient in form and 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 **15 June 2016 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

SURNECO 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 date of the scheduled 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 Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) Legislative Bodies within SURNECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

SURNECO 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.

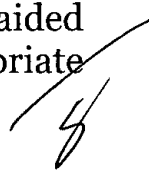
On the date of the initial hearing and Pre-trial Conference, SURNECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing 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, and the affidavit of the Editor or Business Manager of the newspaper 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.

SURNECO 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 SURNECO 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, SURNECO must also be prepared to make an Expository Presentation of its Application, aided by whatever communication medium that it may deem appropriate

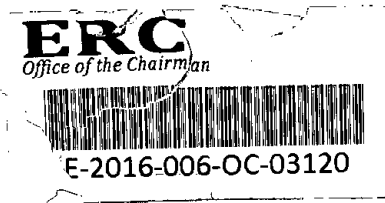


for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 18 May 2016.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



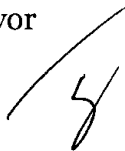
**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*

  
LS: ARG/ICG/APV

Copy furnished:

1. Atty. Nelson V. Evangelista  
*Counsel for Applicant SURNECO*  
Dechavez & Evangelista Law Offices  
Units 1609-1610, Tycoon Centre  
Pearl Drive, Ortigas Center, Pasig City 1605
2. Surigao del Norte Electric Cooperative, Inc. (SURNECO)  
No. 01308 Narciso corner Espina Streets, Surigao City  
Surigao del Norte
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
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)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP)  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio  
Taguig City
8. Office of the Provincial Governor  
Province of Surigao del Norte
9. Office of the LGU Legislative Body  
Province of Surigao del Norte
10. Office of the City Mayor  
Surigao City, Surigao del Norte
11. Office of the LGU Legislative Body  
Surigao City, Surigao del Norte
12. Office of the Municipal Mayor  
Alegria, Surigao del Norte
13. Office of the LGU Legislative Body  
Alegria, Surigao del Norte
14. Office of the Municipal Mayor  
Bacuag, Surigao del Norte
15. Office of the LGU Legislative Body  
Bacuag, Surigao del Norte
16. Office of the Municipal Mayor  
Claver, Surigao del Norte
17. Office of the LGU Legislative Body  
Claver, Surigao del Norte
18. Office of the Municipal Mayor  
Gigaquit, Surigao del Norte
19. Office of the LGU Legislative Body  
Gigaquit, Surigao del Norte
20. Office of the Municipal Mayor  
Mainit, Surigao del Norte





21. Office of the LGU Legislative Body  
Mainit, Surigao del Norte
22. Office of the Municipal Mayor  
Malimono, Surigao del Norte
23. Office of the LGU Legislative Body  
Malimono, Surigao del Norte
24. Office of the Municipal Mayor  
Placer, Surigao del Norte
25. Office of the LGU Legislative Body  
Placer, Surigao del Norte
26. Office of the Municipal Mayor  
San Francisco, Surigao del Norte
27. Office of the LGU Legislative Body  
San Francisco, Surigao del Norte
28. Office of the Municipal Mayor  
Sison, Surigao del Norte
29. Office of the LGU Legislative Body  
Sison, Surigao del Norte
30. Office of the Municipal Mayor  
Taganaan, Surigao del Norte
31. Office of the LGU Legislative Body  
Taganaan, Surigao del Norte
32. Office of the Municipal Mayor  
Tubod, Surigao del Norte
33. Office of the LGU Legislative Body  
Tubod, Surigao del Norte
34. Investigation and Enforcement Division (IED)  
17<sup>th</sup> Floor, Pacific Center Bldg., Energy Regulatory Commission (ERC)  
Pasig City

