

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



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

ERC CASE NO. 2013-022 CF

SULU ELECTRIC
COOPERATIVE, INC.
(SULECO),
Applicant.
X-----X

DUCKETED
Date: JUL 28 2014
By: [Signature]

ORDER

On May 31, 2013, the Sulu Electric Cooperative, Inc. (SULECO) 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. 16¹, Series of 2009 as amended by Resolution No. 21², Series of 2010.

In the said application, SULECO alleged, among others, that:

- ¹ "A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities."
- ² "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."

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines with principal office address at Bus-Bus-Street, Jolo, Sulu;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in seven (7) Municipalities of Jolo, Patikul, Indanan, Parang, Maimbong, Talipao and Luuk, all in the Province of Sulu;
3. Under the Commission's Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010, Distribution Utilities (DUs) and Electric Cooperatives (ECs) are required to file their respective consolidated applications for the approval of the over-recoveries made or under-recoveries incurred in their implementation of various automatic cost adjustments and true-up mechanisms adopted by the Commission, such as the Automatic Generation Rate (GR), System Loss Adjustment Mechanism, Transmission Rate (TR) Adjustment Mechanism, Lifeline Rate Recovery Mechanism, Local Franchise Tax and Business Taxes Recovery Mechanism, Calculation of the Over/Under Recovery in the implementation of Lifeline Rates by DUs, True-up Mechanism 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 (SLR) by DUs, and Calculation of the Over/Under Recovery in the Implementation of Transmission Rates;
4. It adopted and applied the formulas provided under Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010, and has determined that it has incurred under-recoveries or made over-recoveries in its implementation of the foregoing automatic cost adjustments and true-up mechanisms;

5. A summary of the pass through costs vis-à-vis actual collections in the above-mentioned implementation of various automatic cost adjustments and true-up mechanisms applying the formulas provided, showed the following results, to wit:

		Pass Through Cost	Actual Collection	Difference
A	Generation Rate (GR)	666,686,205.70	528,287,351.41	138,398,854.34
B	System Loss Rate (SLR)	162,293,453.31	230,512,876.00	(68,219,216.69)
C	Inter-Class Cross Subsidy	-	-	(22,629,614.13)
D	Lifeline Rate	5,469,773.61	-	(5,469,773.61)
Grand Total				(42,080,249.91)

6. Relative to the discounts mandated to be provided to the Senior Citizen, it respectfully manifest that no senior citizen was registered during the period of 2011 to 2012;
7. Summaries of the individual computations on the foregoing items are attached hereto and made an integral part hereof as Annexes "A";
8. It submitted supporting data and documents listed below, labeled together and made an integral part hereof as Annex "B-1" to "B-2", 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 (O.R.) issued by Power Suppliers;
 - f) Breakdown of Payment with O.R.; and
 - g) Consumer Bills of Lifeliners (per level) and Non-Lifeliners per customer class; and
9. It prays that its over/under recoveries in the implementation of the various automatic cost adjustments and true-up mechanism be confirmed and approved, and that it be allowed to refund/collect said over/under recoveries to or 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 jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 16, 2014 (Tuesday) 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.**

SULECO 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 hearings.

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

SULECO 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, SULECO 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.

SULECO 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 SULECO 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, SULECO 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, July 21, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson

Copy Furnished:

1. **LERIOS-AMBOY and DE LOS REYES LAW OFFICES**
Counsel for SULECO
Units 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Avenue, Pasig City
2. **SULU ELECTRIC COOPERATIVE, INC. (SULECO)**
Bus-Bus-Street, Jolo, Sulu
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
5. **The Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City
6. **The House Committee on Energy**
Batasan Hills, Quezon City
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
8. **Office of the Provincial Governor**
Province of Sulu
9. **Office of the Municipal Mayor**
Jolo, Sulu
10. **Office of the Municipal Mayor**
Patikul, Sulu
11. **Office of the Municipal Mayor**
Indanan, Sulu
12. **Office of the Municipal Mayor**
Parang, Sulu
13. **Office of the Municipal Mayor**
Maimbong, Sulu
14. **Office of the Municipal Mayor**
Talipao, Sulu
15. **Office of the Municipal Mayor**
Luuk, Sulu