

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



**IN THE MATTER OF THE
APPLICATION TO CONFIRM
THE AUTOMATIC COST
ADJUSTMENTS
IMPLEMENTED FOR THE
YEARS 2018-2020, AND FOR
AUTHORITY TO
(REFUND)/RECOVER
APPROVED (OVER)/UNDER
RECOVERIES, WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2021-015 CF

**NORTHERN NEGROS
ELECTRIC COOPERATIVE,
INC. (NONECO),**

Applicant.

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Promulgated:

June 29, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 22 April 2021, Northern Negros Electric Cooperative, Inc. (NONECO) filed an *Application* dated 24 March 2021 seeking the Commission's approval of its prayer for provisional authority requesting for confirmation of the amounts representing its (over)/under recoveries for the generation, transmission, system loss, lifeline subsidy and senior citizen discounts pass through cost relative to the Automatic Cost Adjustments Implemented for the years 2018-2020 and for approval of the proposed offsetting or netting out of the over-refund in the implementation of ERC Case No. 2015-019 CF in the amount of PhP709,990.50.

The pertinent allegations of the *Application* are hereunder quoted as follows:

1. Applicant NONECO 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 Barangay Tortosa, Manapla, Negros Occidental. It has an exclusive franchise to distribute electric service in the cities of Victorias, Cadiz, Sagay, Escalante, San Carlos and the municipality of E.B. Magalona, Manapla, Toboso and Calatrava, all in the province of Negros Occidental. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
2. Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), Distribution Utilities (DUs), such as Applicant, are allowed to recover just and reasonable costs to enable them to operate viably. On 13 July 2009, the Energy Regulatory Commission (“ERC”) promulgated Resolution No. 16, Series of 2009 entitled “*A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities,*” which established a systematized confirmation process for the automatic cost adjustments implemented by the DUs and the true-up of pass through charges as approved by the ERC to ensure, among other things, appropriate recovery of adjustment and pass through costs in an efficient and transparent process.
3. Subsequent thereto, the Honorable Commission in its Resolution No. 21, Series of 2010 entitled “*A Resolution Amending Section 4 of Article 4 and Section 1 Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanism and Corresponding Confirmation Process for Distribution Utilities*” amended, among other things, the formula in calculating for System Loss Rate Over/Under Recovery.
4. Under Section 1 of Article 5 of Resolution No. 21, Series of 2010, DUs in the Visayas are scheduled to file their applications for confirmation purposes every three years. Hence, Applicant NONECO is now filing the instant Application for the confirmation of the automatic cost adjustments it has implemented for the period starting January 2018 until December of 2020. Moreover, Applicant likewise seek approval from the Honorable Commission of its (a) Generation Rate Over/Under Recovery (GOUR); (b) Transmission Rate Over/Under Recovery (TOUR); (c) System Loss Rate Over/Under Recovery (SLOUR); (d) Lifeline Subsidy Over/Under Recovery (LSOUR); and (e) Senior Citizen Over/Under Recovery (SCOUR), broken down as follows :

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(OVER)/UNDER RECOVERIES IN PASS-THROUGH COSTS
(January 2018 to December 2020)

(Over)/Under Recoveries	
Generation Rate	(15,465,116.09)
Transmission Rate	(14,171,234.91)
Systems Loss Rate	(11,752,410.52)
Lifeline Subsidy Rate	(6,173,621.79)
Senior Citizen	(54,059.32)
Total	(47,616,442.63)

Generation Rate Over/Under Recovery

5. Generation charge over/under recoveries occur because of the lag in the pass on of generation costs to consumers. Basically, the rates used to compute for the generation recoveries in the current month were based on the generation cost incurred in previous month. Accordingly, when the generation cost of the current month is compared to the generation recoveries in the current month, which recoveries were computed on the basis of previous month's cost, an over- or under-recovery arises. Also, the differences in volumes (kWh) between the previous month (where the cost was incurred) and the current month (where the cost will be billed) contribute to the over/under-recovery.
6. In the instant Application, Applicant determined a generation rate over recovery in the total amount of PhP 15,465,116.09 for the period covering January 2018 to December 2020.

Transmission Cost Over/Under Recoveries

7. Over-/under- recovery in transmission charge occurs when there is difference between the actual transmission cost for the month and the allowed transmission recoveries in the same month. Basically, the transmission rates used to compute for the recoveries in the current month were based on the average transmission cost incurred in previous month. Accordingly, when the transmission cost of the current month is higher compared to the transmission recoveries in the current month, a transmission under-recovery arises. On the other hand, in cases when transmission recoveries are higher than transmission cost, there will be a resulting transmission over-recovery.
8. For the transmission cost, Applicant determined that it has an over recovery in the amount of Php 14,171,234.91 for the period covering January 2018 to December 2020.

System Loss Rate Over/Under Recovery

9. With the over-recovery in generation and transmission charges, there is a resulting over recovery in system loss as well. This was due to the variance in the actual system loss kWh for the years 2018, 2019 and 2020 and the system loss kWh used in monthly billings for these years, which is based on the latest twelve-month moving average system loss for each month.
10. With respect to the calculation of Systems Loss Over/Under Recovery (SLOUR), Applicant arrived at an over recovery in the amount of Php 11,752,410.52 for the period covering January 2018 until December 2020.

Lifeline Subsidy Over/Under Recovery

11. In the implementation of Lifeline Discounts/Subsidy, Applicant incurred an over recovery in the amount of PhP 6,173,621.79 for the period January 2018 to December 2020. An over or under recovery usually arises when the lifeline discounts implemented (for lifeline consumers) for each billing month is higher or lower than the lifeline subsidy billed to non-lifeline consumers.

Senior Citizen Over/Under Recovery

12. Lastly, with respect to Senior Citizen Discounts, Applicant computed an over recovery in the amount of Php 54,059.32. The over recovery in the implementation of Senior Citizen Discount/Subsidy arises when the senior citizen discounts implemented is lower than the senior citizen subsidy billed.
13. Initially, Applicant intends to propose to (refund)/recover the foregoing amounts in the following manner:

NORTHERN NEGROS ELECTRIC COOPERATIVE, INC. (NONECO)
Proposed Recovery Scheme

Particulars	Total (Over)/Under Recoveries (PhP)	Total Forecasted Kw/hr Sales (3 Years)	Total Rate (Php/kWh)	(Refund)/ Recovery period (In mos)
Generation	(15,465,116.09)	808,607,291	(0.0191)	36
Transmission	(14,171,234.91)	808,607,291	(0.0175)	36
System Loss	(11,752,410.52)	808,607,291	(0.0145)	36
Lifeline	(6,173,621.79)	784,758,190	(0.0079)	36
Senior Citizen	(54,059.32)	761,172,253	(0.0001)	36
Total	(47,616,442.63)		(0.0591)	

14. In support of the instant Application and all computations contained, Applicant hereto attached the following annexes:

Documents	Annexes
Board Resolution No. 20 Series of 2021	A
Summary of (Over)/Under Recoveries (for Years 2018-2020)	B
Computation of Rate Translation	C
For the Year 2018	
Computation of (Over)/Under Recoveries for 2018	D
Supplier and Transmission Date Sheet for 2018	E
Statistical Data Sheet for 2018	F
Summary of Actual Implemented Rates for 2018	G
Lifeline Discount/Subsidy for 2018	H
Uniform Reportorial Requirement (URR) for 2018	I
Monthly Financial and Statistical Report for 2018	J
Computation of Generation and System's Loss Rate for 2018 (pursuant to AGRA Guidelines)	K
Computation of Transmission Rate for 2018 (pursuant to TRAM Guidelines)	L
Computation of Lifeline Discount/Subsidy for 2018 (pursuant to LRA Guidelines)	M
Computation of Senior Citizen Discount/Subsidy for 2018	N
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2018	O
Power Bills and Official Receipts (2018)	P
NGCP's Bills and Official Receipts (2018)	Q
Sample Bills of Lifeline Consumers (2018)	R
Sample Bills of Non-Lifeline Consumers (2018)	S
Sample Bills of Senior Citizen (2018)	T
For the Year 2019	

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Computation of (Over)/Under Recoveries for 2019	U
Supplier and Transmission Date Sheet for 2019	V
Statistical Data Sheet for 2019	W
Summary of Actual Implemented Rates for 2019	X
Lifeline Discount/Subsidy for 2019	Y
Uniform Reportorial Requirement (URR) for 2019	Z
Monthly Financial and Statistical Report (2019)	AA
Computation of Generation and System's Loss Rate for 2019 (pursuant to AGRA Guidelines)	BB
Computation of Transmission Rate for 2019 (pursuant to TRAM Guidelines)	CC
Computation of Lifeline Discount/Subsidy for 2019 (pursuant to LRA Guidelines)	DD
Computation of Senior Citizen Discount/Subsidy for 2019	EE
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for the year 2019	FF
Power Bills and Official Receipts (2019)	GG
NGCP Bills and Official Receipts (2019)	HH
Sample Bills of Lifeline Consumers (2019)	II
Sample Bills of Non-Lifeline Consumers (2019)	JJ
Sample Bills of Senior Citizen (2019)	KK
For the Year 2020	
Computation of (Over)/Under Recoveries for 2020	LL
Supplier and Transmission Date Sheet for 2020	MM
Statistical Data Sheet for 2020	NN
Summary of Actual Implemented Rates for 2020	OO
Lifeline Discount/Subsidy for 2020	PP

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Uniform Reportorial Requirement (URR) for 2020	QQ
Monthly Financial and Statistical Report for 2020	RR
Computation of Generation and System's Loss Rate for 2020 (pursuant to AGRA Guidelines)	SS
Computation of Transmission Rate for 2020 (pursuant to TRAM Guidelines)	TT
Computation of Lifeline Subsidy for 2020 (pursuant to LRA Guidelines)	UU
Computation of Senior Citizen Subsidy for 2020	VV
Sworn Statement on Pilferage Recoveries, Power Factor Discounts and Prompt Payment Discounts for year 2020	WW
Power Bills and Official Receipts (2020)	XX
NGCP Bills and Official Receipts ((2020)	YY
Sample Bills of Lifeline Consumers (2020)	ZZ
Sample Bills of Non-Lifeline Consumers (2020)	AAA
Sample Bills of Senior Citizen (2020)	BBB

15. On the other hand, in the implementation of the Decision in ERC Case No. 2015-019 CF, which covers the approved cost adjustments for the years 2012, 2013 and 2014, there was a net OVER-REFUND in the amount of Php 709,990.50. In a Letter dated 3 February 2021, Applicant informed this Honorable Commission regarding the over-refund and proposed that the same be off-set or netted out or deducted from the amount of recoveries applied herein, to wit:

Particulars	Total (Over)/Under Recoveries (PhP) 2018-2020	Over Refund in the Implementation of Adjustments (2012-2014) ERC Case No. 2015-019 CF	Net (Over)/Under Recoveries (PhP) 2018-2020 (Net of Over Refund in ERC Case No. 215-019 CF)	Total Forecasted Kwhr Sales (3 Years)	Total Rate (Php/kWh) nn 36 months
Generation	(15,465,116.09)	449,245.03	(15,015,871.06)	808,607,291	(0.0186)
Transmission	(14,171,234.91)	(22,678.19)	(14,193,913.10)	808,607,291	(0.0176)
System Loss	(11,752,410.52)	39,012.69	(11,713,397.83)	808,607,291	(0.0145)
Lifeline	(6,173,621.79)	179,691.54	(5,993,930.25)	784,758,190	(0.0074)
Senior Citizen	(54,059.32)	64,719.43	10,660.11	761,172,253	0.000013
Total					

Attached as “Annex CCC” is the Letter dated 3 February 2021 and its attachments regarding the over refund in the implementation of ERC Case No. 2015-019 CF;

16. Generation Costs, Transmission Costs, System Loss Costs, Lifeline Discounts and Senior Citizen Discounts are pass-through charges of DUs, like the Applicant. Hence, Applicant merely collects from its customers within its franchise area said costs and it neither earns any additional revenue nor should it incur losses from the imposition of the same. Given the foregoing, it is incumbent for NONECO to refund and/or recover whatever costs it incurred above and/or below the valid pass-through costs.
17. Thus, in order to maintain the revenue-neutral status of Applicant, it is urgent that a provisional authority be immediately issued pending hearing of the instant Application.

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that:

1. Pending hearing of the instant Application, a Provisional Authority **BE ISSUED** approving the following amount representing its (over)/under recoveries for the generation, transmission, system loss, lifeline subsidy and senior citizen discounts pass through costs:

Generation (Over)/Under Recovery	(15,015,871.06)
Transmission (Over)/Under Recovery	(14,193,913.10)
System Loss (Over)/Under Recovery	(11,713,397.83)
Lifeline (Over)/Under Recovery	(5,993,930.25)
Senior Citizen (Over)/Under Recovery	10,660.11

2. Approve the proposed offsetting or netting out of the over-refund in the implementation of ERC Case NO 2015-019 CF in the amount of Php 709,990.50 from the recoveries under the instant application as follows:

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Particulars	Total (Over)/Under Recoveries (PhP) 2018-2020	Over Refund in the Implementation of Adjustments (2012-2014) ERC Case No. 2015-019 CF	Net (Over)/Under Recoveries (PhP) 2018-2020 (Net of Over Refund in ERC Case No. 215-019 CF)
Generation	(15,465,116.09)	449,245.03	(15,015,871.06)
Transmission	(14,171,234.91)	(22,678.19)	(14,193,913.10)
System Loss	(11,752,410.52)	39,012.69	(11,713,397.83)
Lifeline	(6,173,621.79)	179,691.54	(5,993,930.25)
Senior Citizen	(54,059.32)	64,719.43	10,660.11
Total			

3. Finally, a **DECISION** be rendered PERMANENTLY APPROVING the (refund)/recovery of the proposed above mentioned amount, the charge per kilowatthour and the period of recovery to wit:

Particulars	Total (Over)/Under Recoveries (PhP) 2018-2020	Over Refund in the Implementation of Adjustments (2012-2014) ERC Case No. 2015-019 CF	Net (Over)/Under Recoveries (PhP) 2018-2020 (Net of Over Refund in ERC Case No. 215- 019 CF)	Total Rate (Php/kW h) nn 36 months
Generation	(15,465,116.09)	449,245.03	(15,015,871.06)	(0.0186)
Transmission	(14,171,234.91)	(22,678.19)	(14,193,913.10)	(0.0176)
System Loss	(11,752,410.52)	39,012.69	(11,713,397.83)	(0.0145)
Lifeline	(6,173,621.79)	179,691.54	(5,993,930.25)	(0.0074)
Senior Citizen	(54,059.32)	64,719.43	10,660.11	0.000013
Total				

Other relief just and equitable under the premises are also prayed for.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution 09, Series of 2020¹, dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission;

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Date	Platform	Activity
5 August 2021 (Thursday) at nine o'clock in the morning (9:00 AM)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
12 August 2021 (Thursday) at nine o'clock in the morning (9:00 AM)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice

and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the Application on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 21st day of June 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO




LS: MBVM/CLB/MCCG