

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
RECOVERY OF FRANCHISE
PAYMENTS TO THE CITY OF
SURIGAO COVERING
YEARS 2013 TO 2015**

ERC CASE NO. 2015-038 CF

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

Applicant.

X-----X

D O C K E T E D
Date: APR 17 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 23 July 2015, an *Application* dated 8 July 2015 was filed by applicant Surigao del Norte Electric Cooperative, Inc. (SURNECO) seeking the Commission's approval of the recovery of its franchise payments to the City Government of Surigao covering years 2013 to 2015.

SURNECO alleged the following in its *Application*:

THE APPLICANT

1. SURNECO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office address at Narciso corner Espina Sts., Surigao City, Surigao del Norte;

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;

NATURE OF THE APPLICATION

3. Pursuant to ERC Resolution No. 02, Series of 2006 and ERC Resolution No. 36, Series of 2006, this application is being submitted for review and approval of the Honorable Commission of SURNECO's proposed recovery of payments of franchise tax to the City of Surigao covering the years 2013, 2014 and 2015.

STATEMENT OF FACTS

4. The City Government of Surigao has levied, assessed and collected franchise tax on "every person, partnership or corporation enjoying a franchise to operate within the territorial jurisdiction of the City of Surigao" by virtue of its City Ordinance No. 12, Series of 1988, enacted on August 17, 1988. Said Ordinance imposes a franchise tax at the rate of three-fourths of one percent (3/4 of 1%) upon the franchisee's gross receipts for the next preceding fiscal year;

5. By virtue of said tax ordinance, the City of Surigao issued assessments to SURNECO for the payment of franchise tax based on gross receipts from previous year, which the latter religiously paid at the start of Year 2013, 2014 and 2015, respectively, as follows:

Year	Distribution Revenue from Preceding Year (PhP)	Franchise Tax Rate	Amount Paid (PhP)	Date Paid
2013	82,203,862.60	3/4 of 1%	616,528.96	January 17, 2013
2014	84,931,083.40	3/4 of 1%	636,983.12	January 16, 2014
2015	83,795,320.93	3/4 of 1%	628,464.92	January 16, 2015
Total	250,930,266.93		1,881,977.00	

PROPOSED RECOVERY

6. Having paid the franchise tax due for each corresponding year, SURNECO now seeks approval from this Honorable Commission to pass on to its customers in the City of Surigao the amounts of the franchise taxes paid, applying the formula provided under ERC Resolution No. 16, Series of 2009;

7. With respect to the franchise tax paid from 2013 to 2015, based on kWh sold in Year 2014, annual load growth of 4% and forecasted kWh sales of 37,849,620, SURNECO proposes to recover from its customers in Surigao City, the franchise taxes paid to the City of Surigao in the total amount of Php1,881,977.00 over a period of six (6) months or until the said amount is fully recovered, at the rate of PhPo.0497/kWh.

SUPPORTING DOCUMENTS

9. In support of this application, SURNECO is submitting herewith the following documents which are being made integral parts as annexes hereof, to wit:

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Annex	Nature of Document
A	Excerpt from Surigao City Ordinance No. 12, Series of 1988, enacted on August 17, 1988
B	Surigao City Treasurer's Tax Assessment which includes 2013 Franchise Tax computation
C	Surigao City Treasurer's Tax Assessment which includes 2014 Franchise Tax computation
D	Surigao City Treasurer's Tax Assessment which includes 2015 Franchise Tax computation
E	Official Receipt No. 6212668d dated January 17, 2013 representing payment of Franchise Tax of PhP616,528.96 for Year 2012
F	Official Receipt No. 6596310 dated January 16, 2014 representing payment of Franchise Tax of PhP636,983.12 for Year 2014
G	Official Receipt No. 6753983 dated January 16, 2015 representing payment of Franchise Tax of PhP628,464.92 for Year 2014
H to H-1	Calculations of TRAC for the years of 2013 to 2015 in PhP/kWh within the proposed recovery period and projected kWh sales for the recovery period
I	Actual revenue per customer class in Surigao City in Year 2012
J	Actual revenue per customer class in Surigao City in Year 2013
K	Actual revenue per customer class in Surigao City in Year 2014
L and series	Audited Financial Statements for the Years 2012-2014 (Revenue per customer class)

PRAYER

WHEREFORE, premises considered, SURNECO respectfully prays of this Honorable Commission that after due notice and hearing, it be authorized:

1) To recover from its customers in Surigao City the franchise taxes paid to the City of Surigao in Years 2013 to 2015 in the total amount of PhP1,881,977.00, over a period of six (6) months or until the said amount is fully recovered, at the rate of PhPo.0497/kWh.

2) To include the amounts of recovery as separate Line Items in the electric bills to be issued to its customers in Surigao City.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **16 May 2018 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.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 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 and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that it be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable

photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 4th day of April 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: SLAN/KTB/APV