

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 COVERING THE PERIOD 2014 TO 2016, 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. 2017-038 CF

ILOCOS SUR ELECTRIC COOPERATIVE, INC. (ISECO), Applicant.
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D O C K E T E D
Date: APR 17 2018
By: W

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 March 2017, an *Application* dated 23 March 2017 was filed by applicant Ilocos Sur Electric Cooperative, Inc. (ISECO) seeking the Commission's confirmation and approval of calculations of (over) or under-recoveries in the implementation of Automatic Cost Adjustments and True-up Mechanisms covering the period 2014 to 2016, pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, Series of 2010 and ERC Resolution No. 23, Series of 2010.

ISECO alleged the following in its *Application*:

THE APPLICANT

1. ISECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Bigbiga, Santiago, Ilocos Sur;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the two (2) cities and thirty-two (32) municipalities of the Province of Ilocos Sur, namely: Candon City, Vigan City, Alilem, Banayoyo, Bantay, Burgos, Cabugao, Caoayan, Cervantes, Galimuyod, Gregorio Del Pilar, Lidlidda, Magsingal, Nagbukel, Narvacan, Quirino, Salcedo, San Emilio, San Esteban, San Ildefonso, San Juan, San Vicente, Santa, Santiago, Sigay, Sinit, Sta. Lucia, Sta. Catalina, Sta. Cruz, Sta. Maria, Sto. Domingo, Sugpon, Suyo and Tagudin.

LEGAL BASES 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 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 2014 to December 2016.

**OVER OR UNDER RECOVERIES OF
ALLOWABLE COSTS**

6. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 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 2014 to December 2016;

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

| | Allowable Cost (PhP) | Actual Revenue (PhP) | (Over)/Under Recovery (PhP) |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| Generation Rate (GR) | 3,057,526,004.66 | 3,110,349,508.43 | (52,823,503.76) |
| Transmission Rate (TR) | 720,029,357.89 | 733,005,690.91 | (12,976,333.03) |
| System Loss Rate (SLR) | 447,230,235.57 | 451,240,502.99 | (4,010,267.43) |
| | Discount (PhP) | Subsidy (PhP) | |
| Lifeline Rate (LR) | 23,317,689.17 | 24,215,509.57 | (897,820.40) |
| Senior Citizen Discount and Subsidy | 412,686.52 | 422,098.96 | (9,412.44) |
| Net Results | 4,248,515,973.80 | 4,319,233,310.86 | (70,717,337.06) |

SUPPORTING DATA AND DOCUMENTS

8. In support of the foregoing, applicant is submitting the following data and documents covering the period January 2014 to December 2016, attached hereto and made integral parts hereof as follows:

| FOLDER | ANNEX MARKINGS | NATURE OF DOCUMENT |
|---------------|---------------------------------------|---|
| Folder 1 | Annex A | Summary of over/under recoveries computation for the entire period per charges and yearly basis |
| | Annex B | Proposed scheme of refund/collect using the latest kWh sales |
| Folder 2 | SUPPLIER AND TRANSMISSION DATA | |
| | Annex C | Fully accomplished Supplier and Transmission Data Sheet for the year |
| | Annex D | Power Bills from Suppliers (Power bill, proof of payment, Adjusted bill/Debit or CreditMemo) |
| Folder 3 | STATISTICAL DATA | |
| | Annex E | Fully accomplished Statistical Data Sheet for the year |
| | Annex F | Summary of Pilferage Cost Recoveries/ Manifestation if no PCR |

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| | Annex G | Report of Implemented Other Adjustments |
| | Annex H | MFSR – Sections A, B and E |
| Folder 4 | ACTUAL IMPLEMENTED RATES DATA | |
| | Annex I | Fully accomplished Actual implemented Rates Data Sheet for the Year |
| | Annex J | Fully accomplished Lifeline Discount Sheet for the Year |
| | Annex K | Fully accomplished Senior Citizen Discount Sheet for the Year |
| | Annex L | Consumer Bills per customer class (Non-Lifeline) |
| | Annex M | Consumer Bills per lifeline bracket (Lifeline) |
| | Annex N | Senior Citizen consumer bills |
| Folder 5 | OTHER DOCUMENTS | |
| | Annex O | Submitted URR for the year |
| | Annex P | Computation on how the computed pass-through charges were derived (if not implementing the URR-computed rates) |

9. Additionally, applicant is submitting herewith in support of the instant application, the required electronic copies of the Application together with the foregoing data and documents.

10. Further, in compliance with the pre-filing requirements of the Honorable Commission, applicant is likewise submitting the following documents, to form integral parts hereof, to wit:

| ANNEX MARKINGS | NATURE OF DOCUMENT |
|-----------------------|---|
| Annexes Q and series | Proof of furnishing copies of the Application to the Sangguniang Bayan of Santiago and Sangguniang Panlalawigan of Ilocos Sur |
| Annexes R and series | Proof of publication of the Application in a newspaper in circulation in ISECO's franchise area |

11. Considering the foregoing, it is respectfully prayed that applicant'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.

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PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that after due notice and hearing, ISECO's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period January 2014 to December 2016, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 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:

| | Allowable Cost (PhP) | Actual Revenue (PhP) | (Over)/Under Recovery (PhP) |
|-------------------------------------|-----------------------------|-----------------------------|------------------------------------|
| Generation Rate (GR) | 3,057,526,004.66 | 3,110,349,508.43 | (52,823,503.76) |
| Transmission Rate (TR) | 720,029,357.89 | 733,005,690.91 | (12,976,333.03) |
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| Net Results | 4,248,515,973.80 | 4,319,233,310.86 | (70,717,337.06) |

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 **21 May 2018 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.**

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.

(Intentionally left blank)

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/RTB/APV