

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



IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE OVER/UNDER RECOVERIES BASED ON THE FORMULA ON THE VARIOUS AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21 AND 23, SERIES OF 2010

ERC CASE NO. 2018-003 CF

CEBU III ELECTRIC COOPERATIVE, INC. (CEBECO III),

Applicant.

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D O C K E T E D
Date: **APR 19 2018**
By: **[Signature]**

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 19 March 2018, an *Application* dated 12 March 2018 was filed by applicant Cebu III Electric Cooperative, Inc. (CEBECO III) seeking the Commission's approval of calculations of (over)/under-recoveries based on the formula on the various Automatic Cost Adjustments and True-up Mechanisms and corresponding confirmation process, pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21 and 23, Series of 2010.

CEBECO III alleged the following in its *Application*:

THE APPLICANT

1. Applicant CEBECO III is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Luray II, Toledo City, Cebu, Philippines, represented herein by its General Manager, Virgilio C. Fortich, duly authorized by virtue of Board Resolution No. 26, series of 2018 dated February 24, 2018, of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof.

The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Toledo and the Municipalities of Aloguinsan, Pinamungajan, Balamban and Asturias, all in the province of Cebu;

THE APPLICATION AND ITS PURPOSE

3. This Application is filed in compliance with ERC RESOLUTION NO. 16, Series of 2009, otherwise known as "A RESOLUTION ADOPTING THE RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES" adopted pursuant to the mandate of Section 43 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, in relation to ERC Resolutions No. 17, and 23, all Series of 2009, and Resolution No. 21, series of 2010, mandating the filing of consolidated application for the over/under recoveries of all distribution utilities for the approval/confirmation of the Commission;
4. The aforesaid Guidelines were adopted and issued by the Honorable Commission in the furtherance of the following reasons, to wit:
 - 4.a. The Commission has adopted several automatic cost adjustment mechanisms in separate issuances and it is deemed ideal to consolidate, update, and rationalize the requirements under all said separate issuances;
 - 4.b. The Commission finds it necessary to establish a systematized confirmation process that conform to the due process requirement of the law for the following automatic cost adjustment and true-up mechanisms:
 1. Automatic Generation Rate and System Loss Adjustment Mechanism;
 2. Transmission Rate Adjustment Mechanism;
 3. Lifeline Rate Recovery Mechanism;

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4. Local Franchise Tax Recovery Mechanism;
 5. Local Business Tax Recovery Mechanism;
 6. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
 7. Guidelines for a True-Up Mechanism of the Over or Under Recovery in the Implementation of the Inter-Class Cross Subsidy Removal by Distribution Utilities;
 8. ERC Resolution No. 12, Series of 2005, "A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)";
 9. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities; and
 10. Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates.
5. For purposes of determining the under/over recoveries on the implementation of the afore-enumerated automatic cost adjustments and true-up mechanisms, the formula provided for under Resolution No. 16, series of 2009, as amended by Resolution No. 21 and 23, series of 2010 was applied by the Applicant;
6. A summary of the pass true cost vis-a-vis the actual recovery on the above-mentioned implementation of various automatic cost adjustments and true up mechanisms are presented hereunder, as follows:

Particulars	Allowable Cost/Pass Thru Cost (PhP)	Actual Recovery (PhP)	(Over)/Under Recoveries (PhP)
GENERATION	1,787,335,136.77	1,768,594,509.95	18,740,626.82
TRANSMISSION	89,735,425.78	90,510,115.70	(774,689.92)
SYSTEM LOSS	199,835,876.90	196,235,645.93	3,600,230.97
LIFELINE	41,798,114.38	40,041,192.74	1,756,921.64
Sr. CITIZEN	431,522.19	436,037.97	(4,515.78)
TOTAL	2,119,676,802.88	2,095,817,502.29	23,318,573.73

The foregoing amounts are based on the computations hereto attached as **Annex "B"**;

7. That, CEBECO III proposes to recover/refund the foregoing amounts based on the actual February 2018 kWh sales as hereunder presented:

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Particulars	(Over)/Under Recoveries PhP	kWh sales for February 2018	(REFUND)/RECOVERY RATE	
			No. of Months	(PhP/kWh)
Generation (captive consumers)	18,740,626.82	10,545,339	36	0.0494
Transmission	(774,689.92)	11,027,191	12	(0.0059)
Systems Loss	3,600,230.97	10,545,339	36	0.0095
Lifeline Subsidy	1,756,921.64	10,443,267	36	0.0047
Senior Citizen Subsidy	(4,515.78)	10,405,081	1	(0.00004)

8. Further, in support of the foregoing, Applicant submits the following data and documents, to wit:

Folder 2 – Supplier and Transmission Data

As Annex:

- “C” - Power Supplier Data Sheet
- “D” - Power Bills from Suppliers and Transmission Provider in the following order:
 - a. Power Bill
 - b. Official Receipts issued by the Power Supplier/Transmission Provider
 - c. Debit/Credit Memo issued by the Power Supplier/Transmission Provider

Folder 3 – Statistical Data

As Annex:

- “E” - Statistical Data Sheet
- “F” - Summary of Pilferage Cost Recoveries
- “G” - Report of Implemented Other Adjustments, if any
- “H” - MFSR (Sections B and E)

Folder 4 – Actual Implemented Rates Data

As Annex:

- “I” - Actual Implemented Rates Sheet
- “J” - Lifeline Discount Sheet

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- “K” - Senior Citizen Discount Sheet
- “L” - Two (2) Consumer Bills per customer Class (**Non-Lifeline**)
- “M” - One (1) Consumer Bill per Lifeline Bracket (**Lifeline**)
- “N” - Senior Citizen consumer bills

Folder 5 – Other Documents

As Annex:

- “O” - Submitted URR for the year
- “P” - Computation of Lifeline Subsidy Rate for period April-December 2017
- “Q” - Computation of Senior Citizen Subsidy Rate for period April-December 2017

COMPLIANCE
WITH PRE-FILING REQUIREMENTS

9. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the City of Toledo where Applicant principally operates and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
10. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes “R” and “S”** respectively. Likewise attached hereto as **Annexes “T” and “U”** are the Affidavit of Publication and the newspaper issue containing the published Application;
11. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that the computations of

over/under recoveries presented in the instant application be approved, and CEBECO III be allowed to refund/collect said over/under recoveries.

Other reliefs, just and equitable under 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 **29 May 2018 at one o'clock in the afternoon (1:00 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.

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 5th day of April 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

LS: /LAN/RTB/APV

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