

Republic of the Philippines
ENERGY REGULATORY COMMISSION
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 MECHANISM AND
CORRESPONDING
CONFIRMATION PROCESS
FOR THE YEARS 2021, 2022
AND 2023**

ERC CASE NO. 2025-009 CF

**CEBU I ELECTRIC
COOPERATIVE, INC.
(CEBECO I),**

Applicant.

Promulgated:

April 23, 2025

X-----X

ORDER

On 22 April 2025, Cebu I Electric Cooperative, Inc. (CEBECO I) filed an *Application* dated 10 February 2025, seeking the Commission's confirmation and approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 2021 to 2023, pursuant to the Commission's Resolution No. 16, Series of 2009 and Resolution No. 14, Series of 2022.

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

THE APPLICANT

1. Applicant CEBECO I is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Bito-on, Dumanjug, Cebu, Philippines, represented herein by its General Manager, **Engr. Getulio Z. Crodua**, duly authorized by virtue of Resolution No. 49, Series of 2024 dated March 09, 2024 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 Carcar and the Municipalities of Barili, Dumanjug, Ronda, Alcantara, Moalboal, Badian, Alegria, Malabuyoc, Ginatilan, Samboan, Santander, Sibonga, Argao, Dalaguete, Alcoy, Boljoon, and Oslob, 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” and ERC RESOLUTION NO. 14, Series of 2022, otherwise known as “A RESOLUTION ADOPTING THE REVISED RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES” which were 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, Resolution No. 21, series of 2010, Resolution No. 10, series of 2018, and Resolution No. 02, series of 2021 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;

4. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
5. 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;
6. ERC Resolution No. 12, Series of 2005, “A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)”;
7. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities;
8. Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates;
9. Real Property Tax Recovery Mechanism;
10. Local Franchise Tax Recovery Mechanism; and
11. Local Business Tax Recovery Mechanism.

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. 14, series of 2022 and Resolution No. 16, series of 2009, as amended by Resolution Nos. 21 and 23, series of 2010 and Resolution No. 10, series of 2018, as well as the computation of Real Property Taxes, Business and Local Franchise Taxes as provided in ERC Resolution No. 02, Series of 2021 was applied by the Applicant;

6. A summary of the pass true cost vis-a-vis the actual collection on the above-mentioned implementation of various automatic cost adjustments and true up mechanisms are presented hereunder, as follows:

Particulars	Allowable Cost (PhP)	Actual Recovery/ Revenue (PhP)	(Over)/Under Recoveries (PhP)
Generation Rate (GR)	5,161,157,086.05	5,151,072,659.16	10,084,426.89
Transmission Rate (TR)	631,733,373.40	637,040,246.50	(5,306,873.10)
System Loss Rate (SLR)	528,137,909.51	507,074,051.78	21,063,857.73
Lifeline Subsidy	73,698,522.28	73,601,932.29	96,589.99
Senior Citizen Subsidy	479,523.23	464,314.44	15,208.79
Local Franchise Tax	1,977,300.94	1,715,536.82	261,764.12
Business Tax	3,691,745.06	3,103,968.49	587,776.57
Real Property Tax	11,123,304.16	12,806,453.19	(1,683,149.03)
NET RESULTS			25,119,601.96

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

7. The resulting over/under recoveries are due to the following reasons, to wit:
- a. One month lag in the recovery of cost;
 - b. The increase or decrease in the quantity and the corresponding month-to-month effective rate per kWh of energy sourced from the Wholesale Electricity Spot Market (WESM);
 - c. The increase or decrease in the quantity and the corresponding month-to-month cost of fuel per kWh of energy sourced from CEBECO I's bilateral power supply contracts particularly in the year 2022 wherein the Russia-Ukraine conflict caused a significant increase in the cost of fuel;
 - d. The changes in the monthly energy sales mix and the increase or decrease of kWh sales on a month-to-month basis, especially during the onslaught of Super Typhoon Odette; and
 - e. Fluctuations on the 12-month average system loss percentage.
8. That, CEBECO I proposes to recover/refund the foregoing amounts based on the average January 2024 to February 2024 kWh sales hereunder presented:

Particulars	No. of Months	(OVER) UNDER RECOVERIES	kWh Sales (Ave. Jan & Feb 2024)	RECOVERY (REFUND)
Generation Rate (GR)	36	10,084,426.89	19,871,266	0.0141
Transmission Rate (TR)	36	(5,306,873.10)	23,611,901	(0.0062)
System Loss Rate (SLR)	36	21,063,857.73	23,611,901	0.0248
Lifeline Subsidy	36	96,589.99	23,611,901	0.0001
Senior Citizen Subsidy	36	15,208.79	23,611,901	0.00002
Local Franchise Tax	36	261,764.12	23,611,901	0.0003
Business Tax	36	587,776.57	23,611,901	0.0007
Real Property Tax	36	(1,683,149.03)	23,611,901	(0.0020)

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

Folder 1

As Annex:

- “C” - Power Supplier and Transmission Data Sheet
- “D” - Statistical Data Sheet
- “E” - Actual Implemented Rates Sheet

- “F” - Lifeline Discount Sheet
- “G” - Senior Citizen Discount Sheet
- “H” - Additional Statistical Data Sheet

Folder 2 – Supplier and Transmission Data

As Annex:

- “I” - Power Bills from Suppliers in the following order:
 - a. Power Bill
 - b. Official Receipts or Certifications issued by the Power Supplier
 - c. Debit/Credit Memo issued by the Power Supplier
- “J” - NGCP bills in the following order:
 - a. NGCP Bill
 - b. Official Receipts issued by NGCP
 - c. Debit/Credit Memo issued by NGCP
- “J-1” - CEBECO I - VECO South Sub-Transmission Company, Inc. bills in the following order:
 - a. CEBECO I - VECO South Sub-Transmission Company, Inc. Bill
 - b. Official Receipts issued by CEBECO I - VECO South Sub-Transmission Company, Inc.
 - c. Debit/Credit Memo issued by CEBECO I - VECO South Sub-Transmission Company, Inc.

Folder 3 – Statistical Data

As Annex:

- “K” - Summary of Pilferage Cost Recoveries
- “L” - Report on the Implemented Orders/Decisions of Previous Over-Under Applications
- “M” - MFSR (Sections B and E)
- “N” - Demand (kW) Sales Summary Report

Folder 4 – Actual Implemented Rates Data

As Annex:

- “O” - Two (2) Consumer Bills per customer Class (**Non-Lifeline**)
- “P” - One (1) Consumer Bill per Lifeline Bracket (**Lifeline**)
- “Q” - Senior Citizen consumer bills

Folder 5 – Other Documents

As Annex:

- “R” - Submitted Monthly URR for the years 2019-2021
- “S” - Submitted Monthly URR Addendum
- “T” - Single Line Diagram
- “U” - Power Supply Contracts with Generation Companies

Folder 6 – Local Franchise and Business Tax

As Annex:

- “V” - Local Franchise Tax:
 - Ordinance
 - Tax Receipts for the Payments Made
 - Actual Distribution Revenues
 - Breakdown of Gross Sales/ Receipts
 - Appendix “B”
- “W” - Business Tax:
 - Ordinance
 - Receipts for the Payments Made
 - Actual Distribution Revenues
 - Breakdown of Gross Sales/ Receipts
 - Appendix “A”
- “X” - Two (2) Consumer Bills per LGU (Franchise and Business Tax)
- “Y” - Real Property Tax:
 - Ordinance
 - Real Property Tax Declarations

- Tax Assessment
 - Statement of Account
 - Official Receipts
 - Appendix "A"
- "Z" - Two (2) Consumer Bills per LGU (Real Property Tax)
- "AA" - Computation on how the implemented pass-through taxes were derived

COMPLIANCE
WITH PRE-FILING REQUIREMENTS

10. 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 Office of the Mayor and the Legislative Body of the Municipality of Dumanjug, where Applicant principally operates and the Office of the Governor 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.
11. 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 "BB", "CC", "DD" and "EE"**, respectively. Likewise attached hereto as **Annexes "FF" and "GG"** are the Affidavit of Publication and the newspaper issue containing the published Application;
12. 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, foregoing premises considered, Applicant most respectfully prays that the computations of over/under recoveries presented in the instant application be approved and confirmed, and CEBECO I be allowed to refund/collect said over/under recoveries.

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

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same

for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on **03 June 2025 (Tuesday), at two o'clock in the afternoon (2:00 PM)**, using **Microsoft Teams Application** as the online platform, pursuant to Resolution No. 09, Series of 2020¹ and Resolution No. 01, Series of 2021² (ERC Revised Rules of Practice and Procedure).

Accordingly, Applicant CEBECO I is hereby directed to mirror the virtual hearing to be hosted by the Commission at **CEBECO I's principal office located at Brgy. Bito-on, Dumanjug, Province of Cebu**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, Applicant CEBECO I shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

RELATIVE THERETO, CEBECO I is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, at least ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the Mayors, and the Local Government Unit (LGU) Legislative Bodies within CEBECO I's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within CEBECO I's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearing thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing*, 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 and attend the scheduled hearing; and

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.

- 5) Furnish with copies of the *Application* and its attachments, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior the date of the initial virtual hearing, CEBECO I must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, the scanned copies of its written compliance with the aforementioned jurisdictional requirements, attaching the following methodically arranged and duly marked documents:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of an affidavit of the Editor or Business Manager of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issue of the said newspaper;
- 2) The evidence of the actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by CEBECO I to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments, by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, CEBECO I is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publication and

certifications issued by the concerned Offices of the Governor, Mayors, and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant CEBECO I and all interested parties are also required to submit via e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor, which should also be attached to the Pre-Trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-Trial Brief.

Applicant CEBECO I must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference, pursuant to the preceding paragraph.

Failure of CEBECO I to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing.

Applicant CEBECO I must also be prepared to make an expository presentation of the instant *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, the nature of the *Application*. Relevant information and pertinent details substantiating the reasons and justifications for the *Application* must be cited in support thereof.

Applicant CEBECO I is hereby directed to file a copy of its Expository Presentation via e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. CEBECO I shall also be

required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, **at least five (5) calendar days** prior to the scheduled virtual hearing.

Applicant CEBECO I is further directed to submit, through personal service, registered mail or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-Trial Brief, and Judicial Affidavits of witnesses, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Finally, CEBECO I, including its authorized representatives and witnesses, are hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

SO ORDERED.

Pasig City, 23 April 2025.

FOR AND BY AUTHORITY
OF THE COMMISSION:



KRISHA MARIE T. BUELA
Director III, Legal Service


LS: EJD/ARG

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Copy Furnished:

1. Cebu I Electric Cooperative, Inc. (CEBECO I)
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2. A.C. Gaviola Law Office
Attys. Alan C. Gaviola and Alan Byrne S. Gaviola
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3. Office of the Provincial Governor
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4. Office of the Local Government Unit (LGU) Legislative Body
Province of Cebu
5. Office of the Mayor
City of Carcar
6. Office of the Sangguniang Panlungsod
City of Carcar
7. Office of the Municipal Mayor
Barili, Province of Cebu
8. Office of the Sangguniang Bayan
Barili, Province of Cebu
9. Office of the Municipal Mayor
Dumanjug, Province of Cebu
10. Office of the Sangguniang Bayan
Dumanjug, Province of Cebu
11. Office of the Municipal Mayor
Ronda, Province of Cebu
12. Office of the Sangguniang Bayan
Ronda, Province of Cebu
13. Office of the Municipal Mayor
Alcantara, Province of Cebu
14. Office of the Sangguniang Bayan
Alcantara, Province of Cebu
15. Office of the Municipal Mayor
Moalboal, Province of Cebu
16. Office of the Sangguniang Bayan
Moalboal, Province of Cebu
17. Office of the Municipal Mayor
Badian, Province of Cebu
18. Office of the Sangguniang Bayan
Badian, Province of Cebu
19. Office of the Municipal Mayor
Alegria, Province of Cebu
20. Office of the Sangguniang Bayan
Alegria, Province of Cebu

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21. Office of the Municipal Mayor
Malabuyoc, Province of Cebu
22. Office of the Sangguniang Bayan
Malabuyoc, Province of Cebu
23. Office of the Municipal Mayor
Ginatilan, Province of Cebu
24. Office of the Sangguniang Bayan
Ginatilan, Province of Cebu
25. Office of the Municipal Mayor
Samboan, Province of Cebu
26. Office of the Sangguniang Bayan
Samboan, Province of Cebu
27. Office of the Municipal Mayor
Santander, Province of Cebu
28. Office of the Sangguniang Bayan
Santander, Province of Cebu
29. Office of the Municipal Mayor
Sibonga, Province of Cebu
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Sibonga, Province of Cebu
31. Office of the Municipal Mayor
Argao, Province of Cebu
32. Office of the Sangguniang Bayan
Argao, Province of Cebu
33. Office of the Municipal Mayor
Dalaguete, Province of Cebu
34. Office of the Sangguniang Bayan
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35. Office of the Municipal Mayor
Alcoy, Province of Cebu
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38. Office of the Sangguniang Bayan
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43. Senate Committee on Energy
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