

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
JOINT APPLICATION FOR
CONFIRMATION AND
APPROVAL OF
CALCULATION OF OVER OR
UNDER RECOVERIES IN THE
IMPLEMENTATION OF
AUTOMATIC COST
ADJUSTMENTS AND TRUE-
UP MECHANISMS FOR THE
PERIOD 2022 TO 2024,
PURSUANT TO ERC
RESOLUTION NO. 16, SERIES
OF 2009 AS AMENDED BY
RESOLUTION NO. 21, SERIES
OF 2010, ERC RESOLUTION
NO. 23, SERIES OF 2010, ERC
RESOLUTION NO. 02,
SERIES OF 2021, AND ERC
RESOLUTION NO. 14, SERIES
OF 2022**

ERC CASE NO. 2025-013 CF

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

Applicant.

X-----X

Promulgated:
May 20, 2025

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 May 2025, Surigao Del Norte Electric Cooperative, Inc. (SURNECO) filed an *Application*, dated 07 April 2025, seeking the Commission’s approval of its calculations of over or under-recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period of January 2022 to December 2024.

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

APPLICATION

1. **APPLICANT, SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC. (SURNECO)**, through counsel, unto this Honorable Commission, most respectfully alleges, that;

THE APPLICANT

2. SURNECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Espina Street, Surigao City, Surigao del Norte”.
3. It is a holder of a franchise from the National Electrification Commission to operate an electric light and power distribution service in Surigao City and certain municipalities in the province of Surigao del Norte, namely: Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Taganaan and Tubod.

LEGAL BASES FOR THE APPLICATION

4. 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, and Lifeline Rate Recovery, as the case may be;
5. 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;
6. Further, ERC Resolution No. 02, Series of 2021, provides for the recovery of all just and reasonable costs pertaining to current taxes (real property, local franchise, and business tax) that are levied by local government units within the distribution utilities’ franchise area, subject to the post-validation and confirmation process mechanism of the Commission.
7. Finally, ERC Resolution No. 14, Series of 2022, directs the distribution utilities (DUs) to adopt the Revised Rules

governing the automatic cost adjustment and true-up mechanisms and corresponding confirmation process for DUs with its revised Uniform Reportorial Requirement (URR) spreadsheet template.

- 8. The foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years.
- 9. Hence, the filing of the instant application, covering the period of January 2022 to December 2024.

OVER OR UNDER-RECOVERIES OF ALLOWABLE COSTS

- 10. Applying the formulae provided under Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010, Resolution No. 23, Series of 2010, Resolution No. 02, Series of 2021, and ERC Resolution No. 14, Series of 2022, respectively, SURNECO 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 of January 2022 to December 2024;
- 11. The results of its calculations are presented hereunder, as follows:

Particulars	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)			
Mainland	4,668,258,601.75	4,571,041,009.24	97,217,592.52
SPUG - Hikdop	4,531,595.77	4,579,805.89	(48,210.12)
Sale for Resale-DIELCO	5,462,944.81	5,468,536.91	(5,592.10)
Transmission Rate (TR)	402,210,205.07	406,187,954.37	(3,977,749.30)
Systems Loss Rate (SLR)			
Mainland	573,790,071.12	571,692,368.67	2,097,702.45
SPUG - Hikdop	150,148.72	109,240.57	40,908.15
Sale for Resale-DIELCO	541,751.30	480,732.14	61,019.16
	Discount (PhP)	Subsidy (PhP)	

Lifeline Subsidy/ Discount Charge	11,355,389.08	11,343,345.57	12,043.51
Senior Citizen Subsidy/ Discount Charge	246,515.00	249,588.99	(3,073.99)
	Allowable (PhP)	Actual Revenue (PhP)	
Real Property Tax (RPT)	15,584,431.21	15,907,439.56	(323,008.35)
Business Tax (BT)	4,314,330.58	4,556,482.57	(242,151.99)
Net Results			94,829,479.93

REASONS FOR THE OVER OR UNDER-RECOVERIES

12. The monthly calculation of Automatic Cost Adjustment for Pass-through Charges follows a one-month lag approach, while in the determination of over or under recoveries, the Allowable Cost of the Pass-through Charges for the current month is compared to the Actual Revenue Recovered in the current month.
- a. The monthly calculation of Adjusted Generation Rate (AGR) follows a one-month lag approach, where the cost of power (Power Bill from all Power Suppliers) from the previous month is divided by the Energy Input (kWh) purchased from the previous month, the resulting AGR should be implemented for the current month, while in the determination of over or under recoveries, the Total Cost of Power from power suppliers for the current month is compared to the Actual Revenue billed to the consumers for the current month.
- b. The same one-month lag approach is applied in the computation for Average Transmission Rate, where the Transmission Cost billed by National Grid Corporation of the Philippines (NGCP) for the previous month is the basis for the transmission charges for the current month. On the other hand, in the determination of over or under recoveries, the Transmission Cost for the current month is compared to the Total Transmission Revenue billed to the consumers for the current month.
- c. The monthly System Loss Rate computation follows a running previous 12-month system loss data approach. In the determination of over or under recoveries, the total of monthly system loss revenue billed is compared to the allowable system loss for the year. Additionally, the calculation of System Loss

Rate's over/under-recoveries is primarily attributed to the over/under-recoveries in Generation and Transmission Costs, which are major components of the formula used to compute the System Loss Rate. Further, the calculation formula for the monthly system loss rate differs from the formula used for over/under recovery purposes;

- d. The total Lifeline and Senior Citizen Subsidy Rates are computed based on the Total Lifeline and Senior Citizen Discounts granted to customers in the previous month, while in the determination of over or under recoveries the subsidies and discounts are compared in the same month. Additionally, the variation in the monthly calculated lifeline rate is affected by actual kWh consumption of Lifeliners and Non-lifeliners
 - e. For the Business Tax and Real Property Tax, SURNECO over-recovery due to the difference in the projected kWh sales versus actual monthly kWh sales.
13. Due to the heavy destruction caused by Super Typhoon Odette on the entire coverage area of SURNECO and considering the very high-rate impact to the member-consumer owners (MCOs) whose houses were destroyed, SURNECO decided to not fully implement the URR computed pass-through charges during the months of January to April 2022. The recovery of allowable costs was partially deferred.
14. Further, with respect to the Generation Rate, the economic variable indices in Power Suppliers' Bill fluctuate over time such as fuel prices, foreign exchange rates, and consumers price index. Also, the inevitable exposure to the Wholesale Electricity Spot Market (WESM) contributes to fluctuating monthly adjusted generation rates, as WESM prices is unpredictable.

SUPPORTING DATA AND DOCUMENTS

15. In support of foregoing calculations, SURNECO is submitting the following data and documents covering the period of January 2022 to December 2024, attached hereto and made integral parts hereof, as follows:

FOLDER NO.	ANNEX MARKINGS	DESCRIPTION OF THE DOCUMENTS
Folder 1	Annex A	Supplier/Generation and Transmission Data Sheet Per Year
	Annex B	System Loss & Statistical Data Sheet Per Year
	Annex C	Actual Implemented Rates Sheet Per Year

	Annex D	Lifeline Discount/Data Sheet Per Year
	Annex E	Senior Citizen Discount/Data Sheet Per Year
	Annex F	Additional Statistical Data Sheet Per Year
	Annex G	Summary of Over/Under-Recoveries Computation
	Annex H	Proposed Refund/Collect Scheme
Folder 2	GENERATION AND TRANSMISSION DATA	
	Annex I	Power Bills from Suppliers with Proof of Payments
Folder 3	STATISTICAL DATA	
	Annex J	Manifestation of No Pilferage Cost Recoveries
	Annex K	Report on the Implemented Orders/Decisions
	Annex L	MFSR – Sections B and E
	Annex M	Demand (kW) Sales Summary Report
	Annex N	Summary of Prompt Payment Discounts Extended to End-Customers
Folder 4	ACTUAL IMPLEMENTED RATES DATA	
	Annex O	Consumer Bills per Customer Class (Non-Lifeline)
	Annex P	Consumer Bills per Lifeline Bracket (Lifeline)
	Annex Q	Consumer Bills per Lifeline Level
	Annex R	Senior Citizen Consumer Bills
Folder 5	OTHER DOCUMENTS	
	Annex S	Submitted Monthly URR
	Annex T	Submitted Monthly URR Addendum

	Annex U	Single Line Diagram
	Annex V	Copy of Order/Decision of Power Supply Contracts with Generation Companies/CSEE LOA with NPC
	Annex W	Computation on how the pass-through charges were derived (if not implementing the URR and URR Addendum computed rates) – January 2022 to April 2022, and October 2022.
	Annex X	Reasons for not implementing the URR computed rates and URR Addendum, with Letter of Information to ERC and the ERC reply.
	Annex Y	Copy of Application for Dispute Resolution to FDC, ERC Case No. 2024-04 DR
	Annex Z	Copy of Application for Force Majeure CAPEX, ERC Case no. 2022-073 RC
	Annex AA	Manifestation, re: Power Restoration in Hikdop Island under NPC-SPUG and in Nonoc Islands under Sale for Resale with DIELCO
	Annex BB	Generated Reports for Lifeline and Senior Citizen Discounts Computation for year 2022.
Folder 6	BUSINESS TAX AND REAL PROPERTY TAX	
	Annex CC and Series	Business Tax a) Local Tax Ordinance; Tax Receipts for payments made; Actual Distribution Revenues; Breakdown of Gross Sales/Receipts; Computations on how the implemented pass-through taxes were derived; Appendix A;
	Annex DD	b) Consumer Bills per LGU
	Annex EE and Series	Real Property Tax a) Local Tax Ordinance; Tax Declarations; Tax

		Assessments; Statements of Account; Official Receipts; Computations on how the implemented pass-through taxes were derived; Appendix A
	Annex FF	b) Consumer Bills per LGU

16. Further, in compliance with the pre-filing requirements under the Revised ERC Rules of Practice and Procedure, herein applicant is submitting the following documents to form integral parts hereof, as follows, to wit:

ANNEX MARKINGS	DESCRIPTION OF THE DOCUMENTS
Annexes GG and series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Panlungsod of Surigao City and Governor and Sangguniang Panlalawigan of Surigao del Norte
Annexes HH and series	Proof of publication of the undocketed Application in a newspaper of general circulation covering the franchise area of SURNECO or where it principally operates

17. Considering the foregoing, it is respectfully prayed that SURNECO’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 may be, to or from its member-consumer-owners.

PRAYER

WHEREFORE, premises considered, applicant Surigao del Norte Electric Cooperative, Inc. (SURNECO), respectfully prays of this Honorable Commission, after due notice and hearing, to confirm and approve its calculations of over or under-recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period of January 2022 to December 2024, and allow the cooperative to refund the over-recoveries or collect the under-recoveries, as the case maybe, to or from its member-consumer-owners, based on the following refund/collect scheme, to wit:

(This space is intentionally left blank.)

	(Over)/Under Recovery (PhP)	Proposed Scheme for Recovery (Refund)	
Generation Rate (GR)		Php/kWh	No. of Months
A. MAINLAND (ON – GRID)	97,217,592.52	0.3959	12
B. HIKDOP (SPUG)	(48,210.12)	(0.3646)	3
C. NONOC (SALE FOR RESALE)	(5,592.10)	(0.1026)	1
Transmission Rate (TR)			
A. MAINLAND (ON – GRID)	(3,977,749.30)	(0.1944)	1
System Loss Rate (SLR)			
A. MAINLAND (ON – GRID)	2,097,702.45	0.0342	3
B. HIKDOP (SPUG)	40,908.15	0.1547	6
C. NONOC (SALE FOR RESALE)	61,019.16	0.1865	6
Lifeline Rate (LR)	12,043.51	0.0006	1
Senior Citizen Discount and Subsidy	(3,073.99)	(0.0001)	1
Real Property Tax (RPT)	(323,008.35)	(0.0182)	1
Business Tax (BT)			
SURIGAO CITY	(227,975.59)	(0.0242)	1
GIGAQUIT	2,362.77	0.0066	1
MAINIT	(2,869.89)	(0.0054)	1
PLACER	(480.31)	(0.0006)	1
TUBOD	(13,188.97)	(0.0046)	1
GRAND TOTAL	94,829,479.93	0.1102	

Other kinds of relief, just and equitable in 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 hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference and presentation of evidence on **09 July 2025 (Wednesday) at two o'clock in the afternoon (02:00 p.m.)** through **MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ and Resolution No. 01, Series of 2021² (ERC Revised Rules of Practice and Procedure).

Accordingly, SURNECO is hereby directed to mirror the virtual hearing to be hosted by the Commission at **SURNECO's principal office located at Espina Street, Surigao City, Surigao del Norte**, as the designated venue for the conduct thereof and ensure that the same is open to the public. Moreover, SURNECO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least **one (1) calendar day** prior to the scheduled initial virtual hearing, via 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 person who has 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, a verified Petition to Intervene at least **five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state 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.

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.

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 the ERC Revised Rules of Practice and Procedure shall govern. 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.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgement receipt e-mail sent by the Commission.

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

(This space is intentionally left blank.)

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

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA** and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 20th day of May 2025 in Pasig City.

FOR AND BY AUTHORITY OF THE
COMMISSION:


ATTY. KRISHA MARIE T. BUELA
Director III, Legal Service


LS: NRG /JGGW