

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.

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Promulgated:
May 20, 2025

ORDER

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/	11,355,389.08	11,343,345.57	12,043.51

Discount Charge			
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.

RELATIVE THERETO, Applicant SURNECO 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 their respective Local Government Unit (LGU) Legislative Bodies within SURNECO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within SURNECO's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings 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

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.

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

- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the initial virtual hearing, SURNECO 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 their 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 affidavits of the Editors or Business Managers of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of 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 SURNECO to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings 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, except those subject of a motion for confidential treatment of information, if any, by all those making requests therefor; and

- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, SURNECO is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Offices of the Governor, Mayors and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant SURNECO, 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 thereof, 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 from attached to the Pre-Trial Brief.

Applicant SURNECO 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 schedule initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of SURNECO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings.

Applicant SURNECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they 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 SURNECO is hereby directed to file a copy of its Expository Presentation via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. SURNECO shall also be required, upon the request of any stakeholder, to provide an advance copy of their expository presentations, **at least five (5) calendar days** prior to the scheduled virtual hearing.

Applicant SURNECO is hereby 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 their Jurisdictional Compliance, Expository Presentation, Pre-Trial Brief, Judicial Affidavits of witnesses, **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.

Finally, SURNECO including its authorized representatives and witnesses, are hereby directed to provide the Commission, through 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, 20 May 2025.

FOR AND BY AUTHORITY OF THE
COMMISSION:



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

Copy Furnished:

1. Surigao del Norte Electric Cooperative, Inc. (SURNECO)
Applicant
01308 Narciso corner Espina Street
Surigao City, Surigao del Norte
2. Dechavez Lerios-Amboy and Evangelista Law Offices
Atty. Ditas A. Lerios-Amboy
Counsel for Applicant
Unit 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
powerlawfirm@gmail.com
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, Makati City
docket@osg.gov.ph
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
citizensdesk@coa.gov.ph
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
senateenergycommittee@gmail.com
6. House Committee on Energy
Batasan Hills, Quezon City
committee.energy@house.gov.ph
7. Office of the Governor
Province of Surigao del Norte
8. Office of the Sangguniang Panlalawigan
Province of Surigao del Norte
9. Office of the City Mayor
Surigao City, Surigao del Norte
10. Office of the Sangguniang Panlalawigan
City, Surigao del Norte
11. Office of the Municipal Mayor
Alegria, Suroigao del Norte
12. Office of the Sangguniang Bayan
Alegria, Suroigao del Norte
13. Office of the Municipal Mayor
Bacuag, Surigao del Norte
14. Office of the Sangguniang Bayan
Bacuag, Surigao del Norte
15. Office of the Municipal Mayor
Claver, Surigao del Norte
16. Office of the Sangguniang Bayan
Claver, Surigao del Norte

17. Office of the Municipal Mayor
Gigaquit, Surigao del Norte
18. Office of the Sangguniang Bayan
Gigaquit, Surigao del Norte
19. Office of the Municipal Mayor
Mainit, Surigao del Norte
20. Office of the Sangguniang Bayan
Mainit, Surigao del Norte
21. Office of the Municipal Mayor
Malimono, Surigao del Norte
22. Office of the Sangguniang Bayan
Malimono, Surigao del Norte
23. Office of the Municipal Mayor
Placer, Surigao del Norte
24. Office of the Sangguniang Bayan
Placer, Surigao del Norte
25. Office of the Municipal Mayor
San Francisco, Surigao del Norte
26. Office of the Sangguniang Bayan
San Francisco, Surigao del Norte
27. Office of the Municipal Mayor
Sison, Surigao del Norte
28. Office of the Sangguniang Bayan
Sison, Surigao del Norte
29. Office of the Municipal Mayor
Tagaanan, Suriogao del Norte
30. Office of the Sangguniang Bayan
Tagaanan, Suriogao del Norte
31. Office of the Municipal Mayor
Tubod, Surogao del Norte
32. Office of the Sangguniang Bayan
Tubod, Surogao del Norte
33. Regulatory Operations Service
14th Floor, Exquadra Tower
Ortigas Center, Pasig City
ros@erc.ph