

**### Title:**

Association of Southern Tagalog Electric Cooperatives, Inc. (ASTECC) et al. vs. Energy Regulatory Commission - On the Refund of Over-recoveries by Rural Electric Cooperatives

**### Facts:**

This case involves a series of petitions filed by rural electric cooperatives, ASTECC, BATELEC I, QUEZELCO I, QUEZELCO II, and PRESCO, challenging the orders of the Energy Regulatory Commission (ERC) to refund over-recoveries arising from the implementation of the Purchased Power Adjustment (PPA) Clause under Republic Act (RA) No. 7832.

RA No. 7832 was enacted on December 8, 1994, setting caps on recoverable system losses that rural electric cooperatives could charge to consumers. The Implementing Rules and Regulations (IRR) required electric cooperatives to file applications for amended PPA Clauses, leading to a provisional authorization by the Energy Regulatory Board (ERB), later succeeded by the ERC, to implement a specific PPA formula subject to review and confirmation.

On June 8, 2001, RA No. 9136, or the Electric Power Industry Reform Act, was enacted, transferring the functions of ERB to ERC. Upon review, ERC issued orders for the refund of over-recoveries by the cooperatives, applying guidelines on the treatment of discounts from power suppliers and introducing a grossed-up factor mechanism for computation. These orders and their basis, particularly the treatment of discounts and the introduction of the grossed-up factor mechanism, were contested before the Court of Appeals (CA), which consolidated and eventually affirmed the ERC's orders. The cooperatives appealed to the Supreme Court.

**### Issues:**

1. The legality of the ERC's orders for the refund of over-recoveries, focusing on:
  - The validity and applicability of the guidelines concerning the treatment of discounts offered by power suppliers.
  - The introduction and use of the grossed-up factor mechanism in the computation of over-recoveries.
2. Whether these guidelines and mechanisms were effectively and validly applied given the lack of publication, non-submission to the UP Law Center, and their retroactive application.

**### Court's Decision:**

The Supreme Court partly granted the petition. It ruled that the ERC's guidelines on the

treatment of discounts from power suppliers, being interpretative of the laws and regulations already in place, did not require publication to be effective. However, the grossed-up factor mechanism, being an amendment to the existing rules and introducing a new numerical standard for the computation of over-recoveries, should have been published and submitted to the UP Law Center to be effective. The court found the application of this mechanism, especially its retroactive enforcement, to be invalid.

**### Doctrine:**

Interpretative regulations and guidelines issued by administrative agencies, which clarify existing law or regulation, do not require publication to be effective. However, new rules or amendments that introduce significant changes to the calculation or implementation processes must undergo publication and filing requirements for validity and enforceability.

**### Class Notes:**

- **\*\*Key Legal Concepts\*\***: Interpretative regulations, administrative rule-making, retroactivity of laws and regulations, procedural due process in the issuance of administrative guidelines.
- **\*\*Relevant Legal Statutes\*\***: RA No. 7832, RA No. 9136, Administrative Code of 1987.
- The refund directive by ERC hinged on the interpretation of discounts and the grossed-up factor for computing over-recoveries. Administrative agencies have leeway in interpreting laws they are tasked to enforce, but any new rules or substantial modifications to existing ones require proper dissemination and procedural compliance.

**### Historical Background:**

The case represents a critical intersection of regulatory oversight, the operational efficiency of rural electric cooperatives, and consumer protection in the context of the Philippine power sector's ongoing reforms initiated by RA No. 9136 or the EPIRA. It underscores the complexities involved in regulating system losses and cost recoveries within a transitioning regulatory and operational environment.