

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

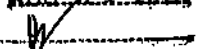


IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE OVER/UNDER RECOVERIES BASED ON THE FORMULA ON THE VARIOUS AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009 AND ERC RESOLUTION NO. 21, SERIES OF 2010,

ERC CASE NO. 2017-043 CF

**LA UNION ELECTRIC COMPANY, INC. (LUECO),
Applicant.**

X-----X

D O C K E T E D
Date: **AUG. 21. 2017.**
By: 

ORDER

On 31 March 2017, an *Application* dated 17 March 2017 was filed by applicant La Union Electric Company, Inc. (LUECO) seeking the Commission's 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 and ERC Resolution No. 21, Series of 2010.

LUECO alleged the following in its *Application*:

THE APPLICANT

Applicant, LA UNION ELECTRIC COMPANY, INC., is a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at LUECO Building, Quezon Avenue, San Fernando City, La Union.

LUECO is the duly authorized franchise holder to maintain and operate the electric light and power services in the City of San Fernando and the Municipalities of Bauang and San Juan all in the Province of La Union.

LUECO is represented in this Application by its President and Chairman of the Board, Mr. RUBEN L. VALERO, JR.. Attached and marked as Annex "A" is a copy of the Secretary's Certificate authorizing Mr. VALERO to sign the instant Application and the law firm of undersigned counsel to file the same and represent LUECO.

RESOLUTION NO. 16, SERIES OF 2009
AND
RESOLUTION NO. 21, SERIES OF 2010

On 13 July 2009, this Honorable Commission issued its Resolution No. 16, Series of 2009 entitled "A RESOLUTION ADOPTING THE RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES" directing Luzon DUs to file their respective consolidated applications on or before 30 October 2009.

On 18 October 2010, this Honorable Commission issued its Resolution No. 21, Series of 2010 entitled "A RESOLUTION AMENDING SECTION 4 OF ARTICLE 4 AND SECTION 1 OF ARTICLE 5 OF THE RULES GOVERNING THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR DISTRIBUTION UTILITIES". Said filing by Luzon DUs of the required consolidated application was moved to 31 March 2011 for adjustments implemented until the billing month of December 2010 and filing period of March 31, 2014 for adjustments covered by January 2011 to December 2013.

In compliance with the aforementioned Resolution, LUECO filed in ERC Case No. 2011-049 CF and ERC Case No. 2014-004 CF dated 03 June 2011 and 19 March 2014, respectively, its Application entitled "IN THE MATTER OF THE APPLICATION FOR APPROVAL 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 AND RESOLUTION NO. 21, SERIES OF 2010".

On 28 January 2013 and 02 September 2014, this Honorable Commission issued its Decision approving with modification LUECO's's Application in ERC Case No. 2011-049 CF and ERC Case No. 2014-004 CF, respectively.

Article 5, Section 1 of Resolution No. 21, Series of 2010 likewise mandates all Luzon Distribution Utilities (DUs) to file the respective consolidated application every three (3) years following the sequence of period of filing.

In compliance, therefore, with the aforementioned provision of the Resolution, LUECO herein submits for this Honorable Commission's confirmation/approval the following (over)/under recoveries for the period 2014 to 2016:

Category	Amounts
Generation Over recovery	PhP (12,502,361.80)
Transmission Over recovery	(10,729,237.77)
System Loss Over recovery	(2,900,279.76)
Lifeline Over recovery	(1,375,488.18)
Senior Citizen Under recovery	5,871.44
Total Over recovery	PhP (27,501,496.07)

Shown below is the breakdown of LUECO's (over)/under-recoveries per line item:

1. GENERATION

Generation Allowable Cost	P2,394,510,536.42
Generation Revenue	P2,407,012,898.22
Over Recovery	P (12,502,361.80)

2. TRANSMISSION

Transmission Allowable Cost	P455,592,829.92
Transmission Revenue	P466,322,067.69
Over Recovery	P(10,729,237.77)

3. SYSTEM LOSS

System Loss Allowable Cost	P263,348,345.19
System Loss Revenue	P266,248,624.95
Over Recovery	P (2,900,279.76)

4. LIFELINE SUBSIDY

Lifeline Charge	P 46,281,908.75
Lifeline Discount	P 44,906,420.57
Over Recovery	P (1,375,488.18)

5. SENIOR CITIZEN

Senior Citizen Discount	P 113,743.26
Senior Citizen Subsidy	P 107,871.82
Under Recovery	P 5,871.44

In compliance with the filing requirements of this Honorable Commission and in further support of the instant Application, LUECO herein submits the following:

- a. Summary of the breakdown of over and under-recoveries from January 2014 to December 2016
- b. Power Supplier Data Sheet
- c. Statistical Data Sheet
- d. Implemented Rates Data Sheet
- e. Power Bills of Power Suppliers
- f. Official Receipts issued by Power Suppliers
- g. Debit/Credit Memo of Power Suppliers
- h. NGCP Invoices
- i. Official Receipts issued by NGCP
- j. Uniform Reportorial Requirement (URR)
- k. Consumer Bills of Lifeliners (per level) and Non-Lifeliners per customer class

**APPLICANT'S COMPLIANCE WITH
THE PRE-FILING REQUIREMENTS**

In compliance with Rule 6, Section 2 of the Rules of Practice and Procedure of this Honorable Commission, LUECO has furnished the Sangguniang Panlungsod of San Fernando City and Sangguniang Panlalawigan of La Union with copies of its Application, inclusive of its Annexes (in CD).

Attached and marked as Annexes "B" and "C" are the Certifications issued by the Sangguniang Panlungsod of San Fernando City and Sangguniang Panlalawigan of La Union acknowledging receipt of the aforementioned documents.

LUECO has likewise caused the publication of the Application (*sans* Annexes) in a newspaper of general circulation. The Affidavit of Publication and the newspaper issue containing the published Application are hereto attached as Annexes "D" and "E", respectively.

PRAYER

WHEREFORE, in view of all the foregoing, it is respectfully prayed that after due notice, hearing and evaluation, the (over)/under-recoveries of LA UNION ELECTRIC COMPANY, INC. for the period 2014 to 2016, as presented in the instant application, be confirmed and approved accordingly.

Category	Amounts
Generation Over recovery	PhP (12,502,361.80)
Transmission Over recovery	(10,729,237.77)
System Loss Over recovery	(2,900,279.76)
Lifeline Over recovery	(1,375,488.18)
Senior Citizen Under recovery	5,871.44
Total Over recovery	PhP (27,501,496.07)

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

The Commission issued an *Order* dated 27 June 2017, setting the instant Application for initial hearing on 22 August 2017.

On 7 August 2017, an *Urgent Ex-Parte Motion to Reset and for the Issuance of a Second [2ND] Notice of Public Hearing* with even date was filed by Applicant through its counsel, Atty. Norberto C. Manjares, III. In the said motion, Applicant LUECO moves for the resetting of the hearing due to conflict of counsel's scheduled hearings.

Finding the said Motion meritorious, the same is hereby **GRANTED**. The hearing set on 22 August 2017 is cancelled.

NOW THEREFORE, the said hearing is hereby reset on **5 October 2017 at ten o' clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City**, for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence.

Accordingly, LUECO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public 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 at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this Order and the attached Notice of Public 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 Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (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 proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial 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 therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

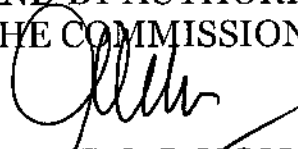
LUECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of

the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 10 August 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-in-Charge Chairman and CEO



LS/SLAN/ARC/GS/APV

COPY FURNISHED:

1. La Union Electric Company, Inc. (LUECO)
Applicant
LUECO Building, Quezon Avenue, San Fernando City, La Union
2. Atty. Norberto C. Manjares, III
THE LAW FIRM OF MANJARES & MANJARES
Counsel for Applicant
No. 6 Saint Anne Provident Villages, Marikina City
3. Office of the Mayor
City of San Fernando, La Union
4. Office of the LGU legislative body
City of San Fernando, La Union
5. Office of the Mayor
Bauang, La Union
6. Office of the LGU legislative body
Bauang, La Union
7. Office of the Mayor
San Juan, La Union
8. Office of the LGU legislative body
San Juan, La Union
9. Office of the Governor
Province of La Union
10. Office of the LGU legislative body
Province of La Union
11. Office of the Solicitor General
134 Amoroso Street, Legaspi Village, Makati City

12. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
13. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
14. House Committee on Energy
Batasan Hills, Quezon City
15. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP),
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
16. Regulatory Operations Service (ROS)
[Investigation and Enforcement Division (IED)]
Energy Regulatory Commission (ERC)
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City