

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



IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE CALCULATIONS FOR THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS FOR THE a) GENERATION RATE, b) TRANSMISSION RATE, c) SYSTEM LOSS RATE, d) LIFELINE SUBSIDY RATE, AND e) SENIOR CITIZEN DISCOUNT, UNDER ERC RESOLUTION NO. 16, SERIES OF 2009 AS AMENDED

ERC CASE NO. 2014-052 CF

DAGUPAN ELECTRIC CORPORATION (DECORP),
Applicant.
X-----X

DOCKED
Date: AUG 26 2015
By: *[Signature]*

ORDER

On April 1, 2014, Dagupan Electric Corporation (DECORP) filed an application for the approval of its calculations for the automatic cost adjustment and true-up mechanisms for the a) generation rate; b) transmission rate; c) system loss rate; d) lifeline subsidy rate, and e) senior citizen discount, under ERC Resolution No. 16, Series of 2009, as amended.

In the said application, DECORP alleged, among others, the following:

1. It is a private corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Veria II Building, AB West, Dagupan City, where it may be served with summons and other legal processes;

2. It has an exclusive franchise issued by the Congress of the Philippines, to operate an electric light and power services in the Cities and Municipalities of Dagupan, Calasiao, San Fabian, Sta. Barbara, San Jacinto, manaoag, Barangays Cruz and Bolingit of San Carlos City, all in the Province of Pangasinan;
3. The ERC adopted Resolution No. 16, Series of 2009, ("A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities") (the "rules" for brevity) on July 13, 2009 which establish 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 ERC;
4. The ERC also adopted Resolution No. 23, Series of 2009 ("A Resolution Adopting the Template for the Distribution Utilities' (DUS) Filing Pursuant to the "Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities) on October 12, 2009 which directed "all DU's to adopt the template on the Uniform Over/under Recovery in the filing of their respective over/under recoveries which was posted on the ERC's website and available upon request from the ERC's Investigation and Enforcement Division";
5. The ERC also adopted Resolution No. 21, Series of 2010 ("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") on October 18, 2010.

The amendments to Section 1 of Article 5 state that Luzon DUs, shall file their consolidated application under the Commission's Resolution No. 16, Series of 2009 on March 31, 2014. The application shall cover the period of January 2011 to December 2013;

6. The ERC also adopted Resolution No. 23,, Series of 2010 ("A Resolution Adopting the Rules Implementing the Discounts to Qualified Senior Citizen End-Users and Subsidy from the Subsidizing End-Users on Electricity consumption Under Sections 4 and 5 of Republic Act No. 9994) on December 15, 2010. Section 3 of Article 7 of the aforementioned Resolution states that the Commission shall verify the over or under recovery in the Senior Citizen Discount and Subsidy Rates once every three (3) years to coincide and in accordance with the time frames as set forth under Article 5 of the Rules;

7. Based on the rules and using the prescribed template, it calculated the over and under recoveries on the: a) Generation Rate; b) Transmission Rate, c) System Loss Rate, d) Lifeline Subsidy Rate and, g) Senior Citizen Discount and Subsidy Rate for the period January 2011 to December 2013; as follows:

Categories	Allowable Cost/Discount Granted (PhP)	Actual Revenue/Subsidy Collected (PhP)	(Over)/Under Recoveries (PhP)
Generation Rate	4,134,156,083.20	3,998,970,634.85	135,185,448.36
Transmission Rate	837,959,669.69	835,591,042.30	2,368,627.38
System Loss Rate	361,395,446.71	345,857,081.14	15,538,365.56
Lifeline Subsidy Rate	(80,433,815.39)	81,742,373.51	(1,308,558.12)
Senior Citizen Discount Subsidy Rates	(398,121.16)	398,406.78	(285.62)
TOTAL			151,783,597.56

The over or under recovery is due to the limitation of the prescribed formula in the Rues, whereby the previous month's data was used in the calculation of the above mentioned charges while the current month's actual data was employed to determine the allowable recoverable cost.

8. In support of its application, it is submitting the following documents, to wit:

REFERENCE	INFORMATION PROVIDED
Schedule A	Calculation: Generation Rate Over/Under Recovery
Schedule B	Calculation: Transmission Rate Over/Under Recovery
Schedule C	Calculation: System Loss Rate Over/Under Recovery
Schedule D	Calculation: Lifeline Subsidy Rate Over/Under Recovery
Schedule E	Calculation and Supporting Documents: Senior Citizen Discount and Subsidy Rates Over/Under Recoveries
Schedule F	Calculation: Summary of Over/Under Recoveries
Annex A	Official Receipts, Power Bills & Debit/Credit Memo
Annex B	ERC Form DU-M01 & DU-M02
Annex C	Consumer Bills
Annex D	Lifeline Rates Calculation and Sample Bills
Annex E	Senior Citizens Calculations and Sample Bills
Annex F	Discount and Recoveries
Annex G	Monthly Revenue Generated
Annex H	ERC Decisions and Resolutions
Annex I	Uniform Reportorial Requirement Data

9. It prays for the approval of its application to allow for the timely recovery/refund of the calculated under or over recoveries and that after due notice and hearing and consideration, the application be approved following the over and under recoveries calculations:

Categories	Allowable Cost/Discount Granted (PhP)	Actual Revenue/Subsidy Collected (PhP)	(Over)/Under Recoveries (PhP)
Generation Rate	4,134,156,083.20	3,998,970,634.85	135,185,448.36
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Senior Citizen Discount Subsidy Rates	(398,121.16)	398,406.78	(285.62)
TOTAL			151,783,597.56

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 16, 2015 (Wednesday) 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.**

DECORP is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished 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.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Provincial Governor of Pangasinan and the Mayors of the City and Municipalities within DECORP's franchise area for the appropriate posting thereof on their respective bulletin boards.

DECORP is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, DECORP must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspapers where the said Notice of Public Hearing was published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

DECORP and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of DECORP to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the pre-trial conference, DECORP must also be prepared to make an expository presentation of its 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, August 17, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman

ERC
Office of the Chairman



H-2015-025-00051

Copy Furnished:

1. **QUIZON MAKALINTAL BAROT TORRES IBARRA & SISON**
Attention: Atty. Miguel K. Mathay
Counsel for the Applicant
Dagupan Electric Corporation (DECORP)
3/F Veria I Building, 62 West Avenue, Quezon City
2. **THE OFFICE OF THE SOLICITOR GENERAL**
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
3. **THE COMMISSION ON AUDIT**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
4. **THE COMMITTEE ON ENERGY**
House of the Senate
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
5. **THE COMMITTEE ON ENERGY**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
6. **DAGUPAN ELECTRIC CORPORATION, INC. (DECORP)**
Attention: MS. ISABELITA L. LLAMES
President and Chief Executive Officer
VFL Building, AB Fernandez West
Dagupan City
7. **The City Mayor**
Dagupan City
8. **The Municipal Mayor**
Manaoag, Pangasinan
9. **The Municipal Mayor**
San Fabian, Pangasinan

- 10. The Municipal Mayor**
San Jacinto, Pangasinan
- 11. The Municipal Mayor**
Calasiao, Pangasinan
- 12. The Municipal Mayor**
Sta. Barbara, Pangasinan
- 13. The Municipal Mayor and Heads of Barangay**
Barangays Cruz and Bolingit
San Carlos, Pangasinan