

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 RATE
UNDER ERC RESOLUTION NO.
16, SERIES OF 2009, AS
AMENDED

ERC CASE NO. 2015-030 CF

MACTAN ELECTRIC COMPANY,
INCORPORATED (MECO),

Applicant.

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DOCKETED
Date: OCT 21 2015
By: 

ORDER

On March 31, 2015, the Mactan Electric Company, Incorporated (MECO) filed an 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 rate under ERC Resolution No. 16, Series of 2009, as amended.

In the said application, MECO alleged, among others, that:

1. MECO is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Sangi Road, Pajo, Lapu-lapu City,



Cebu where it may be served with summons and other legal processes.

MECO is the exclusive franchise holder issued by Congress of the Philippines to operate an electric light and power services in the City of Lapu-lapu and Municipality of Cordova, both in the Province of Cebu;

2. 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 established 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;
3. 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 DUs to adopt the template on the Uniform Over/Under Recovery in the filing of their respective over/under recoveries which is posted on the ERC website and available upon request from the ERC Investigation and Enforcement Division";
4. 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 ERC 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;



5. On May 31, 2012, MECO filed an 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) interclass cross subsidy rate under ERC Case No, 2012-034 CF, covering the period starting from the time MECO's approved unbundled rates became effective until December 2011.

The Commission resolved the application in its Decision dated September 2, 2014;

6. Based on the Rules and the foregoing Resolutions and using the prescribed template, MECO has calculated the over and under recoveries on the Generation Rate, Transmission Rate, System Loss Rate, Lifeline Subsidy Rate and Senior Citizen Rate for the period January 2012 to December 2014 as follows:

Pass Through Costs	Allowable Revenue/Discount	Actual Revenue/ Subsidy	Difference (Over) Under
Generation Rate	5,946,593,266.65	5,914,684,744.98	31,908,521.68
Transmission Rate	690,388,233.63	689,689,879.55	698,354.08
System Loss Rate	751,412,596.97	756,453,936.38	(5,041,339.41)
Lifeline Subsidy Rate	72,214,901.93	72,649,180.89	(434,278.96)
Senior Citizen Rate	1,205,800.79	0.00	1,205,800.79
Total	7,461,814,799.97	7,433,477,741.79	24,337,058.17

7. In support of this application for the approval and confirmation of MECO's calculations on the automatic cost adjustments it implemented and the true-up of other pass-through charges approved by the ERC, MECO has attached the following documents:

REFERENCE	INFORMATION PROVIDED
Schedule A	Computation of Over/Under Recovery for Generation Rate with Supporting Documents
Schedule B	Computation of Over/Under Recovery for

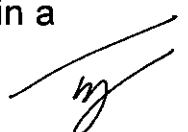
	System Loss Rate with Supporting Documents
Schedule C	Computation of Over/Under Recovery for Transmission Rate with Supporting Documents
Schedule D	Computation of Over/Under Recovery for Lifeline Subsidy Rate with Supporting Documents
Schedule E	Computation of Over/Under Recovery for Senior Citizen Subsidy and Discount with Supporting Documents
Schedule F	Summary of Over/Under Recoveries from 2012 to 2014

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

Pass Through Costs	Allowable Revenue/Discount	Actual Revenue/ Subsidy	Difference (Over) Under
Generation Rate	5,946,593,266.65	5,914,684,744.98	31,908,521.68
Transmission Rate	690,388,233.63	689,689,879.55	698,354.08
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Finding the said application sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **November 25, 2015 (Wednesday) at nine o'clock in the morning (9:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

MECO 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, with the date of the publication to be made not later than 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 Governor of Cebu and the Mayors of the Cities/Municipalities within MECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

MECO is 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 and pre-trial conference, MECO 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 Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper 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.

MECO 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 thereof; 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.


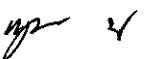
Failure of MECO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, MECO 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, October 12, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman 

ERC
Office of the Chairman



J-2015-019-00862

Copy Furnished:

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4. Commission on Audit
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Quezon City, Metro Manila
5. Senate Committee on Energy
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Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. The City Mayor
Lapu-lapu City
Province of Cebu
8. The Municipal Mayor
Municipality of Cordova
Province of Cebu
9. Office of the Governor
Province of Cebu
10. President
Philippine Chamber of Commerce and Industry (PCCI)
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