

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: JUL 12 2017  
By: [Signature]

**ORDER**

Notice is hereby given that 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 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
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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.

Finding the said Application sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **22 August 2017 at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

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 Cities 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.

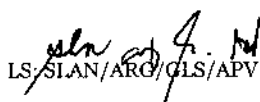
**SO ORDERED.**

Pasig City, 27 June 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



**ALFREDO J. NON**  
*Officer-in-Charge of ERC*



LS/SLAN/ARG/CLS/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 Amorsolo 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)**  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP),  
1030 Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City
- 16. Investigation and Enforcement Division (IED)**  
Energy Regulatory Commission (ERC)  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City