

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



IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF CALCULATIONS OF OVER OR UNDER RECOVERIES IN THE IMPLEMENTATION OF AUTOMATIC COST ADJUSTMENTS AND TRUE UP MECHANISMS COVERING THE PERIOD 2014 TO 2016, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21, SERIES OF 2010 AND ERC RESOLUTION NO. 23, SERIES OF 2010,

ERC CASE NO. 2017 -051 CF

LA UNION ELECTRIC COOPERATIVE, INC. (LUELCO),
Applicant.
X-----X

D O C K E T E D
Date: JUL 12 2017
By: [Signature]

ORDER

On 31 March 2017, La Union Electric Cooperative, Inc. (LUELCO) filed an Application dated 16 March 2017 (Application) seeking the Commission's approval of its over/under recoveries based on the formula of the various Automatic Cost Adjustment and True Up Mechanisms and corresponding confirmation process pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, Series of 2010 and ERC Resolution No. 23, Series of 2010.

LUELCO alleged the following in its *Application*:

1. LUELCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the

Republic of the Philippines, with principal offices at Brgy. Sta. Rita East, Aringay, La Union;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in certain municipalities of the Province of La Union, namely: Agoo, Aringay, Bacnotan, Bagulin, Balaoan, Bangar, Bauang, Burgos, Caba, Luna, Naguillian, Pugo, Rosario, Sto. Tomas, Tubao, San Gabriel, San Juan, Santol, Sudipen and the City of San Fernando, and the municipality of Sison in the province of Pangasinan.

LEGAL BASES FOR THE APPLICATION

3. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 establishes 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 Honorable Commission, with the objective of ensuring appropriate recovery of the pass through costs in an efficient manner and to put in place a fair and transparent process for the confirmation of the automatic cost adjustments implemented by Distribution Utilities and the true-up of other pass-through charges, involving Generation Rate, Transmission Rate, System Loss Rate, Lifeline Rate Recovery, Inter-Class Cross-Subsidy Removal, or Treatment of Prompt Payment Discount, as the case may be;
4. On the other hand, ERC Resolution 23, Series of 2010, adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption;
5. Foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years. Hence, the filing of the instant application, covering the period January 2014 to December 2016.

OVER OR UNDER RECOVERIES OF ALLOWABLE COSTS

6. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 23, Series of 2010, applicant made calculations of the over recoveries charged or under recoveries incurred as against its customers, in the implementation of certain automatic cost adjustments and true-up mechanisms, covering the period January 2014 to December 2016;
7. The results of its calculations are presented hereunder, as follows:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	2,168,298,594.38	2,205,069,488.74	(36,770,894.36)
Transmission Rate (TR)	514,093,550.53	520,488,490.68	(6,394,940.15)
System Loss Rate (SLR)	381,165,135.94	380,588,769.50	576,366.45
	Subsidy (PhP)	Discount (PhP)	
Lifeline Rate (LR)	28,915,192.46	34,248,917.98	(5,333,725.52)
Senior Citizen Discount and Subsidy	644,796.46	549,320.93	95,475.52
Net Results			(47,827,718.06)

SUPPORTING DATA AND DOCUMENTS

8. In support of the foregoing, applicant is submitting the following data and documents covering the period January 2014 to December 2016, attached hereto and made integral parts hereof as follows:

FOLDER	ANNEX MARKINGS	NATURE OF DOCUMENT
Folder 1	Annex A	Summary of over/under recoveries computation for the entire period per charges and yearly basis
	Annex B	Proposed scheme of refund/collect using the latest kWh sales
Folder 2	SUPPLIER AND TRANSMISSION DATA	
	Annex C	Fully accomplished Supplier and Transmission Data Sheet for the year
	Annex D	Power Bills from Suppliers (Power bill, proof of payment, Adjusted bill/Debit or Credit Memo)
Folder 3	STATISTICAL DATA	
	Annex E	Fully accomplished Statistical Data Sheet for the year
	Annex F	Summary of Pilferage Cost Recoveries/Manifestation if no PCR
	Annex G	Report of Implemented Other Adjustments
	Annex H	MFSR – Sections A, B and E
Folder 4	ACTUAL IMPLEMENTED RATES DATA	
	Annex I	Fully accomplished Actual implemented Rates Data Sheet for the Year
	Annex J	Fully accomplished Lifeline Discount Sheet for the Year
	Annex K	Fully accomplished Senior Citizen Discount Sheet for the Year

	Annex L	Consumer Bills per customer class (Non-Lifeline)
	Annex M	Consumer Bills per lifeline bracket (Lifeline)
	Annex N	Senior Citizen Consumer Bills
Folder 5	OTHER DOCUMENTS	
	Annex O	Submitted URR for the year
	Annex P	Computation on how the computed pass-through charges were derived (if not implementing the URR-computed rates)

9. Additionally, applicant is submitting herewith in support of the instant application, the required electronic copies of the Application together with the foregoing data and documents.
10. Further, in compliance with the pre-filing requirements of the Honorable Commission, applicant is likewise submitting the following documents to form integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENT
Annexes Q and series	Proof of furnishing copies of the Application to the Sangguniang Bayan and Sangguniang Panlalawigan of the local government units where Applicant's main office is located.
Annexes R and series	Proof of publication of the Application in a newspaper in circulation in the Applicant's franchise area or where it principally operates

11. Considering the foregoing, it is respectfully prayed that the applicant's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case maybe, to or from its customers.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that after due notice and hearing, LUELCO's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period January 2014 to December 2016, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 23, Series of 2011, be confirmed and approved, and the cooperative be allowed to refund the over recoveries or collect the under recoveries, as the case maybe, to or from its customers, summarized as follows, to wit:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation	2,168,298,594.38	2,205,069,488.74	(36,770,894.36)

Rate (GR)			
Transmission Rate (TR)	514,093,550.53	520,488,490.68	(6,394,940.15)
System Loss Rate (SLR)	381,165,135.94	380,588,769.50	576,366.45
	Subsidy (PhP)	Discount (PhP)	
Lifeline Rate (LR)	28,915,192.46	34,248,917.98	(5,333,725.52)
Senior Citizen Discount and Subsidy	644,796.46	549,320.93	95,475.52
Net Results			(47,827,718.06)

Other reliefs, just and equitable in 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 **08 August 2017 (Tuesday) at two o'clock in the afternoon (02:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, LUELCO 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, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within LUELCO's 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 LUELCO's franchise area, by any other means available and appropriate;

- 4) Furnish with copies of the *Application*, 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 the 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 Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the 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 the *Application*, 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 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 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 the said date of cancellation.

LUELCO 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, 04 July 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-In-Charge of ERC

LS: 
LS: MCC/ARG/GLS/APV

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COPY FURNISHED:

1. Atty. Ana Charissa D. Diaz
Counsel for Applicant La Union Electric Cooperative, Inc. (LUELCO)
Brgy. Sta. Rita, East, Aringay, La Union
2. La Union Electric Cooperative, Inc. (LUELCO)
Applicant
Brgy. Sta. Rita, East, Aringay, La Union
3. Office of the Mayor
City of San Fernando, La Union
4. Office of the Sangguniang Panlungsod
City of San Fernando, La Union
5. Office of the Governor
Province of La Union
6. Office of the Sangguniang Panlalawigan
Province of La Union
7. Office of the Governor
Province of Pangasinan
8. Office of the Sangguniang Panlalawigan
Province of Pangasinan
9. Office of the Municipal Mayor
Agoo, La Union
10. Office of the Sangguniang Bayan
Agoo, La Union
11. Office of the Municipal Mayor
Aringay, La Union
12. Office of the Sangguniang Bayan
Aringay, La Union
13. Office of the Municipal Mayor
Bacnotan, La Union
14. Office of the Sangguniang Bayan
Bacnotan, La Union
15. Office of the Municipal Mayor
Bagulin, La Union
16. Office of the Sangguniang Bayan
Bagulin, La Union
17. Office of the Municipal Mayor
Balaoan, La Union
18. Office of the Sangguniang Bayan
Balaoan, La Union
19. Office of the Municipal Mayor
Bangar, La Union
20. Office of the Sangguniang Bayan
Bangar, La Union
21. Office of the Municipal Mayor
Bauang, La Union

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22. Office of the Sangguniang Bayan
Bauang, La Union
23. Office of the Municipal Mayor
Burgos, La Union
24. Office of the Sangguniang Bayan
Burgos, La Union
25. Office of the Municipal Mayor
Caba, La Union
26. Office of the Sangguniang Bayan
Caba, La Union
27. Office of the Municipal Mayor
Luna, La Union
28. Office of the Sangguniang Bayan
Luna, La Union
29. Office of the Municipal Mayor
Naguilian, La Union
30. Office of the Sangguniang Bayan
Naguilian, La Union
31. Office of the Municipal Mayor
Pugo, La Union
32. Office of the Sangguniang Bayan
Pugo, La Union
33. Office of the Municipal Mayor
Rosario, La Union
34. Office of the Sangguniang Bayan
Rosario, La Union
35. Office of the Municipal Mayor
Sto. Tomas, La Union
36. Office of the Sangguniang Bayan
Sto. Tomas, La Union
37. Office of the Municipal Mayor
San Gabriel, La Union
38. Office of the Sangguniang Bayan
San Gabriel, La Union
39. Office of the Municipal Mayor
San Juan, La Union
40. Office of the Sangguniang Bayan
San Juan, La Union
41. Office of the Municipal Mayor
Santol, La Union
42. Office of the Sangguniang Bayan
Santol, La Union
43. Office of the Municipal Mayor
Sudipen, La Union

44. Office of the Sangguniang Bayan
Sudipen, La Union
45. Office of the Municipal Mayor
Tubao, La Union
46. Office of the Sangguniang Bayan
Tubao, La Union
47. Office of the Municipal Mayor
Sison, Pangasinan
48. Office of the Sangguniang Bayan
Sison, Pangasinan
49. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
50. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
51. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
52. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
53. Investigation and Enforcement Division
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City

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



IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE OVER/UNDER RECOVERIES BASED ON THE FORMULA FOR VARIOUS AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21, SERIES OF 2010 AND ERC RESOLUTION NO. 23, SERIES OF 2010,

ERC CASE NO. 2017-030 CF

**IBAAN ELECTRIC CORPORATION (IEC),
Applicant.**

X-----X

DOCKETED
Date: JUL 12 2017
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 March 2017, an *Application* dated 24 March 2017 was filed by applicant Ibaan Electric Corporation (IEC) 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, as amended by ERC Resolution No. 21, Series of 2010 and ERC Resolution No. 23, Series of 2010.

IEC alleged the following in its Application:

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1. That the Applicant is a private distribution utility existing pursuant to law with postal address at Metro-Rei Business Park, Brgy. Palindan, Ibaan, Batangas, duly registered with the Securities and Exchange Commission with Certificate No. 2777. Where it may be served with the processes of this Honorable Commission through its General Manager, MS. MARISON S. MAGPANTAY, whose authority to file this Application and represent the Applicant is authorized by the Board of Directors of the Applicant pursuant to Board Resolution 2017-01-04 which is hereto attached as Annex "A" and made an integral part of this Application. The undersigned counsel is likewise authorized by the Board through Board Resolution 2017-01-05 to act as the counsel of record for the applicant;
2. That Applicant's franchise area covers the following: (1) Ibaan Municipality including twenty-six (26) barangays; (2) Brgy. Adya at Lipa City; and (3) Brgy. Salaban at San Jose, Batangas.
3. That pursuant to ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 and Resolution No. 23, Series of 2010, Luzon Distribution Utilities (DUs) are directed to file their respective applications for the approval of the over/under recoveries on cost adjustments and true-up mechanism as follows:
 - a. Power Supplier Data Sheet;
 - b. Statistical Data Sheet;
 - c. Implemented Rates Data Sheet;
 - d. Power Bills of Power Suppliers;
 - e. Official Receipts issued by Power Suppliers;
 - f. Breakdown of Payment with OR, if payment is staggered;
 - g. Debit/Credit memo of power suppliers;
 - h. Transco/NGCP invoices;
 - i. Consumer Bills of lifeliners per level and non lifeliners per customer class;
 - j. Computation of Generation Rate;
 - k. Computation of System Loss Rate;
 - l. Computation of Transmission Rate;
 - m. Computation of Lifeline Rate;
 - n. Computation of Sr. Citizen Rate.
4. That the period covered for these over/under recoveries start from the year 2014 to 2016 or over three (3) years which is also the period proposed to be used for purposes of refund and/or collection of the over/under recoveries;
5. That the summary of the under/(over) recoveries for the three (3) years are summarized and presented below:

GENERATION	2014	2015	2016
Allowable Cost	106,471,220.00	98,847,789.81	109,435,592.90

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Actual Revenue	107,515,275.21	98,122,667.75	111,633,001.18
(Over) / Under	(1,044,055.21)	725,122.06	(2,197,408.28)
TRANSMISSION			
Allowable Cost	20,754,390.52	20,076,532.77	20,975,745.33
Actual Revenue	18,814,245.40	18,351,929.89	20,764,266.57
(Over) / Under	1,940,145.12	1,724,602.88	211,478.76
SYSTEM LOSS			
Allowable Cost	11,933,213.31	11,062,164.84	12,221,808.95
Actual Revenue	12,247,969.86	11,793,614.20	12,870,961.68
(Over) / Under	(314,756.56)	(731,449.36)	(649,152.73)
LIFELINE			
Total Discounts	(3,484,642.06)	(3,403,396.90)	(1,738,356.76)
Total Subsidy	3,789,831.36	3,696,104.77	2,307,394.75
(Over) / Under	(305,189.30)	(292,707.87)	(569,037.99)
SENIOR CITIZEN			
Total Discounts	47,119.70	50,409.13	15,540.24
Total Subsidy	77,404.01	79,368.86	184,084.30
(Over) / Under	(30,284.31)	(28,959.73)	(168,544.06)
TOTAL	<u>245,859.75</u>	<u>1,396,607.98</u>	<u>(3,372,664.30)</u>
NET OVER RECOVERY			<u>(1,730,196.57)</u>

6. That Applicant proposes to refund the net over recoveries of One Million Seven Hundred Thirty Thousand One Hundred Ninety-Six Pesos and 57/100 (Php 1,730,196.57) in three (3) years, starting in January 2018 – December 2020 as follows:

January 2018 to December 2020

Generation Cost	Php -0.037028 per Kwh
Transmission Cost	Php 0.057039 per Kwh
Systems Loss	Php -0.024947 per Kwh
Lifeline Discount	Php -0.017172 per Kwh
Sr. Citizen Discount	Php -0.003352 per Kwh

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honourable Commission, to approve the submitted calculations and computations made by the Applicant and the proposed repayment scheme.

Other reliefs consistent with justice and equity are likewise prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **30 August 2017 at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular

form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that it be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Officer-In-Charge of ERC **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 27th day of June 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS/SLAN/ARG/GLS/APV