

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

**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF OVER/  
UNDER RECOVERIES  
BASED ON THE FORMULA  
FOR 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, FOR THE  
PERIOD JUNE 2013 TO  
DECEMBER 2016,**

**ERC CASE NO. 2017-023 CF**

**OLONGAPO ELECTRICITY  
DISTRIBUTION COMPANY,  
INC. (OEDC),**

**Applicant.**

X-----X

**D O C K E T E D**  
Date: SEP 14 2017  
By: W

**ORDER**

On 30 March 2017, an *Application* dated 17 March 2017 was filed by applicant Olongapo Electricity Distribution Company, Inc. (OEDC) seeking the Commission's approval of (over)/under-recoveries based on the formula for 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, for the period June 2013 to December 2016.

OEDC alleged the following in its *Application*:

1. Applicant is a corporation duly organized and existing under Philippine law, with principal office address at 1170 Rizal Avenue East Tapinac Olongapo City, and is franchised under Republic Act No. 10373 to construct, own, operate and maintain an electric distribution system in the City of Olongapo and its suburbs.

2. Pursuant to ERC 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”, as amended by Resolution No. 21, Series of 2010 and Resolution No. 23, Series of 2010, applicant is filing its consolidated application for the approval of over/under recoveries on its implementation of the automatic cost adjustment and true-up mechanisms mentioned in said resolutions.

3. Applicant applies the formula provided under the foregoing resolutions and determined that it has incurred under-recoveries and made over-recoveries in the implementation of the above-mentioned automatic cost adjustments and true-up mechanisms.

4. A summary of the allowable pass through costs, computed in accordance with the above-mentioned automatic cost adjustments mechanism, vis-à-vis the actual revenues, from June 2013 to December 2016, for generation, transmission, system loss, lifeline discount rate and senior citizen discount subsidy rate showed a total over recovery of PhP 0.0023/kwh as presented in the table below:

|   |  | <b>Allowable<br/>Pass Through<br/>Cost<br/>(PhP)</b> | <b>Actual<br/>Revenue<br/>(PhP)</b> | <b>(Over)/Under<br/>Recoveries<br/>(PhP)</b> |
|---|--|--|-------------------------------------|--|
| 1 | Generation Rate (GR)                     | 3,182,016,038  | 3,194,388,143                       | (12,372,105)                                 |
| 2 | Transmission Rate (TR)                   | 471,019,523  | 472,210,442                         | (1,190,919)                                  |
| 3 | System Loss Rate (SLR)                   | 360,707,528  | 347,636,079                         | 13,071,449                                   |
| 4 | Lifeline Discount Rate (LR)              | 24,505,361   | 25,242,887                          | (737,527)                                    |
| 5 | Senior Citizen Discount and Subsidy Rate | 65,065   | 60,901                              | 4,164  |
|   | <b>TOTAL</b>                             | <b>4,038,313,514</b>                                 | <b>4,039,538,452</b>                | <b>(1,224,938)</b>                           |

5. The computation of the above Over/Under Recoveries are hereto attached as Annex “A” (for Generation), Annex “B” (for Transmission), Annex “C” (for System Loss), Annex “D” (for Lifeline

Discount Rate) and Annex "E" (for Senior Citizen Discount and Subsidy Rate).

6. The foregoing Over/Under Recoveries are the results of the following:

- a. The use of twelve (12) month moving average for system loss recovery; and
- b. Lag in the recovery of pass through charges.

7. Applicant proposes to refund the PhPo.0023 over recovery to its electricity customers for a period of three (3) years, or until said amount is fully refunded. Based on the said refund period and estimated annual energy consumption of 174,046,683 kWhr, the net amount of refund will be PhP1,224,938. The table below shows the amount to be refunded to or collected from the customers for each of the pass-through costs.

|   |  | <b>Amount To Be<br/>(Refunded)/Collected<br/>P/kWh</b> |
|---|--|--|
| 1 | Generation Rate (GR)                     | (0.0237)   |
| 2 | Transmission Rate (TR)                   | (0.0023)   |
| 3 | System Loss Rate (SLR)                   | 0.0250   |
| 4 | Lifeline Discount Rate (LR)              | (0.0014)   |
| 5 | Senior Citizen Discount and Subsidy Rate | 0.0000   |
|   | <b>TOTAL</b>                             | <b>(0.0023)</b>  |

8. The computation of the proposed recovery/refund rates are hereto attached as Annex "F".

9. In support of this Application, the applicant has attached the following additional supporting documents:

| <b>Annex</b> | <b>Document</b>  |
|--------------|--|
| G            | Fully Accomplished Supplier and Data Sheets for 2013 to 2016                 |
| H            | Power Bills, Official Receipts and Debit/Credit Memo of Power Suppliers      |
| I            | Power Bills, Official Receipts and Debit/Credit Memo of Transmission Company |
| J            | Fully Accomplished Statistical Data Sheets for 2013 to 2016                  |

| <b>Annex</b> | <b>Document</b>  |
|--------------|--|
| K            | Summary of Pilferage Cost Recoveries   |
| L            | DU-MO1 and DU-MO2  |
| M            | Fully Accomplished Actual Implemented Rates Sheets for 2013 to 2016  |
| N            | Fully Accomplished Lifeline Discount Sheets for 2013 to 2016   |
| O            | Fully Accomplished Senior Citizen Discount Sheets for 2013 to 2016   |
| P            | Two (2) Consumer Bills per customer class per month (non-lifeline)   |
| Q            | One (1) Consumer Bill per Lifeline Bracket (lifeline) per month  |
| R            | One (1) Senior Citizen Consumer Bill per month   |
| S            | Letter from OEDC dated 13 November 2014 informing ERC about the Interim Supply Agreement between OEDC and SMEC         |
| T            | Application for Approval of the Power Supply Contract (PSC) between OEDC and SMEC docketed as ERC Case No. 2015-001 RC |
| U            | Second Motion for Early Resolution ERC Case No. 2015-001 RC  |
| V            | Follow Up Letter on the Application for the Approval of PSC between OEDC and SMEC dated 24 November 2016               |

10. Applicant has no over/under-recoveries of Local Franchise and Business Taxes.

11. Applicant manifests that it has complied with the pre-filing requirements in accordance with the Implementing Rules and Regulations of the EPIRA and Rule 6 of ERC Rules of Practice and Procedure. Below is the document as proof of the compliance:

| <b>Annex</b> | <b>Document</b>   |
|--------------|---|
| W            | Certification of Posting from the Presiding Officer of the City Council of Olongapo/ Affidavit of Service |
| X            | Copy of the Local Newspaper where the Application was published   |
| Y            | Affidavit of Publication  |

**PRAYER**

WHEREFORE, premises considered, OEDC respectfully prays of this Honorable Commission, after due notice and proceedings, that the determination of its over or under-recoveries be approved and that it be allowed to refund or recover as appropriate, the following amounts for a period of three (3) years, or until such amount is fully refunded or recovered:

| Rate Component                              | (Over)/Under Recovery, Peso | Recovery/ (Refund) Rate, P/kWh |
|---|-----------------------------|--------------------------------|
| 1. Generation Rate                          | (12,372,105)                | (0.0237)                       |
| 2. Transmission Rate                        | (1,190,919)                 | (0.0023)                       |
| 3. System Loss Rate                         | 13,071,449                  | 0.0250                         |
| 4. Lifeline Discount Rate                   | (737,527)                   | (0.0014)                       |
| 5. Senior Citizen Discount and Subsidy Rate | 4,164                       | 0.0000                         |
| <b>TOTAL</b>                                | <b>(1,224,938)</b>          | <b>(0.0023)</b>                |

Other just and equitable relief are also 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 **25 October 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, OEDC 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 Mayor, 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, Mayor, 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.

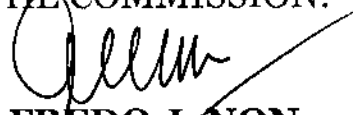
***(Intentionally left blank)***

OEDC 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, 13 September 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



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

  
LS: SLAN/ARG/GLS/APV

**COPY FURNISHED:**

1. Olongapo Electricity Distribution Company, Inc. (OEDC)  
*Applicant*  
1170 Rizal Avenue East Tapinac, Olongapo City
2. Atty. Analita E. Ocampo-Fallet, Atty. Isidro O. Baculio, Jr. & Atty. Roel O. Camorro  
*Counsels for Applicant OEDC*  
1170 Rizal Avenue East Tapinac, Olongapo City
3. Office of the Mayor  
Olongapo City, Zambales
4. Office of the LGU legislative body  
Olongapo City, Zambales
5. Office of the Governor  
Province of Zambales
6. Office of the LGU legislative body  
Province of Zambales
7. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
8. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City
9. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City



10. House Committee on Energy  
Batasan Hills, Quezon City
  
11. 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
  
12. Regulatory Operations Service (ROS)  
(Investigation & Enforcement Division [IED])  
Energy Regulatory Commission (ERC)  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City