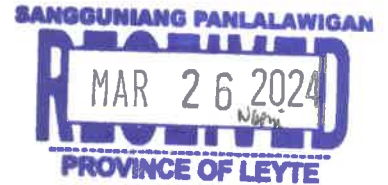


March 25, 2024

22
SANGGUNIANG PANLALAWIGAN
Palo, Leyte

THRU: HON. LEONARDO M. JAVIER, JR.
Presiding Officer



Re: IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF OVER/UNDER RECOVERIES BASED ON THE FORMULA FOR VARIOUS AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING PROCESS FOR THE PERIOD 2021 TO 2023

Gentlemen:

In compliance with the Revised Rules of Practice and Procedure of the Energy Regulatory Commission ("ERC") we are furnishing this Honorable Office with the copy of the Application together with all its annexes and accompanying documents.

In line with this, we are requesting for a Certification from this Honorable Office stating that the office was served a copy of the application or petition, with all its annexes and accompanying documents, including the date of such service. A template of such certification is hereto attached for your perusal.

Very truly yours,


ENGR. FERNAN PAUL R. TAN
General Manager

[Letterhead of LGU]

Republic of the Philippines
[Office of the Governor/Mayor/Sanggunian] of [Province/City/Municipality]
[Office of the Governor/Mayor or Sanggunian Panlalawigan/Panlungsod/Bayan]

[Date]

CERTIFICATION

To Whom It May Concern:

This is to certify that a copy of the Application dated March 20, 2024 with all its annexes and accompanying documents in ERC Case entitled: "IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF OVER/UNDER RECOVERIES BASED ON THE FORMULA FOR VARIOUS AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING PROCESS FOR THE PERIOD 2021 TO 2023" was served to and duly received by this Honorable Office.

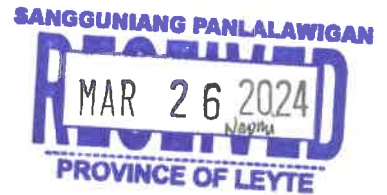
This Certification is issued upon the request of LEYTE II ELECTRIC COOPERATIVE, INC., the Applicant in the said case.

[NAME]

[Position]

[Dry Seal]

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



IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF OVER/UNDER
RECOVERIES BASED ON THE
FORMULA FOR VARIOUS
AUTOMATIC COST
ADJUSTMENT AND TRUE-UP
MECHANISMS AND
CORRESPONDING PROCESS FOR
THE PERIOD 2021 TO 2023

ERC CASE NO. _____

LEYTE II ELECTRIC
COOPERATIVE, INC. (LEYECO II),
Applicant.

x-----x

APPLICATION

COMES NOW, APPLICANT LEYTE II ELECTRIC COOPERATIVE, INC. (LEYECO II), by counsels, unto this Honorable Commission, most respectfully alleges, that:

THE APPLICANT

1. LEYECO II is a non-stock, non-profit electric cooperative, duly registered, organized and existing under and by virtue of Presidential Decree No. 269, as amended, with principal office address at Barangay 57, Real St., Sagkahan District, Tacloban City, Leyte, Philippines;
2. LEYECO II holds an exclusive franchise, issued by the National Electrification Commission, to operate an electric light and power distribution service in the *City of Tacloban* and in the *Municipalities of Palo and Babatngon*, all in the Province of Leyte.

3. LEYECO II is duly represented in this case by General Manager Engr. Fernan Paul R. Tan per Board Resolution No. 027-02 s.2024, and also represented by legal counsels per Board Resolution No. 028-02 s.2024. Copies of the **Secretary Certificates** are hereto attached as ANNEXES "A" and "B", respectively, and made as an integral part hereof.

LEGAL BASES OF THE APPLICATION

4. *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. The objective is to ensure 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, Senior Citizen Subsidy Recovery, as the case may be;
5. Subsequently, the ERC recognized the need to introduce amendments and/or changes in the existing guidelines, thus, *ERC Resolution No. 14, Series of 2022, entitled "A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities"* was issued in order to ensure appropriate recovery of the various pass-through costs in an efficient manner and to establish a fair, timely and transparent process for: (a) calculating the automatic cost adjustments implemented by Distribution Utilities; (b) monitoring the accuracy of these adjustments and ensuring prompt reversal of discrepancies; and (c) confirmation of the automatic cost adjustments implemented by the Distribution Utilities and the true-up of other pass-through charges as approved by the ERC.
 - 6.1. It is also provided that the Distribution Utilities shall file their respective consolidated applications every three (3) years, following the period of filing prescribed in the latest resolution. Hence, the filing of the instant application, covering the period January 2021 to December 2023.

6. ERC Resolution No. 2, Series of 2021 entitled "A Resolution on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Tax) of the Distribution Utilities" establishes procedure for recovery of Real Property, Local Franchise and Business Taxes. The objective is to allow full recovery of all just and reasonable components of the taxes levied by the Local Government Units (LGUs) against Distribution Utilities to enable the latter to operate viably, to ensure transparency and efficiency in the implementation of the appropriate recovery thereof and to put in place a fair and transparent process for the confirmation of the cost adjustments implemented by the Distribution Utilities and the true-up of the Real Property, Local Franchise and Business Taxes pass-through charges, as the case may be.
7. This instant Application is being filed pursuant to the above Resolutions.

MATERIAL FACTS

8. Applying the formulas provided under aforementioned ERC Resolutions, LEYECO II conducted 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 2021 to December 2023.
9. The calculation conducted resulted to over/under recoveries. Using the Over/Under Model of the Honorable Commission, the results are summarized hereunder, to wit:

PARTICULARS	ALLOWABLE REVENUE	GENERATED REVENUE	(OVER)/UNDER RECOVERY
Generation	5,713,811,773.67	5,698,656,716.16	15,155,057.52
Transmission	651,855,205.33	654,921,272.29	(3,066,066.96)
System Loss	451,421,921.87	473,847,416.74	(22,425,494.87)
Lifeline	90,451,365.24	91,098,862.19	(647,496.95)
Senior Citizen	968,161.53	187,319.22	780,842.32
Local Franchise Tax	4,002,115.47	-	4,002,115.47
Business Tax	4,226,710.28	-	4,226,710.28
Real Property Tax	958,481.52	-	958,481.52
TOTAL (OVER)/UNDER RECOVERIES			(1,015,851.67)

10. One of the causes that contributed to the under recovery in *Generation Rate* in the amount of Php15,155,057.52 is that in the actual billing, Rate Making is being done every first week of the month but WESM Final Billing is received only after the 15th day of the month. With this, LEYECO II initially used the data appearing on the WESM *Preliminary Statement*. Adjustments for the difference is made on the following month. Likewise, WESM Adjustments and Net Settlement Amount of sell back transactions are applied in the following month after receipt of the bills. However, in this instant application, WESM Final Billing is applied on the current month.

Also, the confirmation process of the ERC matches current month power costs with current month revenues. While in the actual implementation it resulted to one (1) month lag in recognition of power cost for the monthly computation of Generation Rate (GR).

11. In the case of *Transmission Rate*, the factor that caused the over recovery is the one-month lag in the computation of the implemented rate as against the current to current true-up mechanism.

12. In the case of the *System Loss*, the factors that caused the over recovery are as follows: (a) The difference between the *Monthly System Loss Computation* versus the *Annualized System Loss Computation*; (b) The difference between the *Historical Data* used in monthly rate setting versus the *Current Year Data* for Kwh Purchased and Kwh Sales used in confirmation process; (c) The *Site-Specific Loss Adjustment* (SSLA) data; and (d) The impact of one-month lag in the computation of the implemented rate as against the current to current true-up mechanism.

13. In the case of the *Lifeline Rate Subsidy*, the factor that caused the over recovery is the one-month lag in the computation of the implemented rate as against the current to current true-up mechanism.

14. In the case of the *Senior Citizen Subsidy Rate*, the factor that caused the under recovery is that LEYECO II did not impose senior citizen subsidy charges against non-beneficiary consumers due to the minimal amount involved. LEYECO II started to collect senior citizen subsidy charges from non-senior citizen consumers only on on June 2023 rate implementation. Prior this period, it only implemented the senior citizen discount. Another factor is the one-

month lag on the computation of actual implemented rate as against the current to current true-up mechanism.

15. The other factors that contributed in the over recoveries is the one-month lag approach in the Current computation of rates (URR Template) – data of previous month is being used; the Over / under recoveries (OU Model) – current data is used in the computation of rates; Increase / decrease of kWh sales of a billing period affects recovery of passthrough cost; Preparation of rates during the first week of the month with a Preliminary Statement from some power suppliers like WESM.
16. On the other hand, *ERC Resolution No. 2, Series of 2021* allowed LEYECO II to recover as pass-through costs the *Real Property, Local Franchise and Business Taxes* levied by the LGUs within its franchise area.
17. However, only real property, franchise and business taxes that are assessed by the LGUs for the year 2021 and thereafter and subsequently paid by LEYECO II shall be allowed to be passed on to consumers. Tax arrearages including interests, penalties and other charges imposed on LEYECO II resulting from delayed payment of the said taxes, shall not be allowed to be passed on to consumers and shall be borne solely by LEYECO II.
18. Moreover, the real property, local franchise and business taxes paid by the LEYECO II for a particular calendar year may be passed on to consumer only within the year it was paid. Other taxes allowed to be passed on to its consumers but paid beyond the period mentioned in the preceding statement shall be recovered through confirmation mechanisms provided by the rules.
19. Given the foregoing, LEYECO II incorporate in this instant Application seeking authority from the Honorable Commission to authorize LEYECO II to collect/recover the real property taxes, local franchise and business tax it has paid to the LGUs within its franchise area, from its consumers at the rate illustrated in Table 2 in this Application.

SUPPORTING DATA AND DOCUMENTS

20. In support of the instant application, applicant is submitting and adopting the documents and the data contained therein covering the period January 2021 to December 2023, attached hereto, and made as integral parts hereof, to wit:

ANNEX MARKINGS	NATURE OF DOCUMENT
C & Series	Supplier and Transmission Data Sheet
D & Series	Statistical Data Sheet
E & Series	Actual Implemented Rates Sheet
F & Series	Lifeline Discount Sheet
G & Series	Senior Citizen Discount Sheet
H & Series	Additional Statistics Data Sheet
I & Series	Summary of Over/Under Recoveries Computations Proposed Collection Scheme
J & Series	PSALM Power Bills & Proof of Payment
K & Series	Net-Metered Sales
L & Series	IEMOP Power Bill, Payment, Adjustments
M	KSPC Power Bills & Proof of Payment
N & Series	GNPD Power Bills & Proof of Payment
O & Series	GCGI 11MW Power Bills & Proof of Payment
P & Series	GCGI 5MW Power Bills & Proof of Payment
Q	FDCUI Power Bills & Proof of Payment
R & Series	NGCP Power Bills & Proof of Payment
S & Series	Summary of Pilferage Cost Recoveries
T & Series	MFSR B&E
U & Series	Demand kW Sales
V & Series	Summary of kW CP per Customer Class
W & Series	2 Consumer Bills Per Class (Non-Lifeline)

X & Series	Lifeline Summary 1 Lifeline Bill Per kWh Bracket
Y & Series	Senior Citizen Summary 1 Senior Citizen Bill Per kWh
Z & Series	Senior Citizen Institutions Bills
AA & Series	LEYECO II URR_2021 Submitted Monthly URR_2021
BB & Series	LEYECO II URR_2022 Submitted Monthly URR_2022
CC & Series	LEYECO II URR_2023 Submitted Monthly URR_2023
DD & Series	Submitted URR Addendum
EE	Other Technical Data
FF	Single Line Diagram
GG	Power Supply Agreements

21. Additionally, to substantiate the instant application LEYECO II is respectfully submitting herewith the required electronic copies of the Application together with the foregoing data and documents saved in a **USB Drive**.
22. Considering the foregoing, it is respectfully prayed that LEYECO II's calculations of over 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 to its customers and recover the under recoveries within the period prescribed by the rules.

RECOVERY PERIOD AND RATE IMPACT

23. In order to lessen the impact of the rate adjustment, LEYECO II proposes to maximize the allowable period set by the rules, to refund the subject amount based on the *Projected kWh Sales* of **1,028,650,766** for the period 2024 to 2026.

24. The rate impact are computed and shown on the tables below:

Table 1. For Retail Rates (Generation Rate, Transmission Rate, System Loss Rate, Lifeline Rate Recovery, Senior Citizen Subsidy Recovery):

PARTICULARS	ALLOWABLE REVENUE	GENERATED REVENUE	(OVER)/UNDER RECOVERY	RATE IMPACT
Generation	5,713,811,773.67	5,698,656,716.16	15,155,057.52	0.014733
Transmission	651,855,205.33	654,921,272.29	(3,066,066.96)	(0.002981)
System Loss	451,421,921.87	473,847,416.74	(22,425,494.88)	(0.021801)
Lifeline	90,451,365.24	91,098,862.19	(647,496.95)	(0.000629)
Senior Citizen	968,161.53	187,319.22	780,842.32	0.000759
TOTAL (OVER)/UNDER RECOVERIES			(10,203,158.95)	(0.009919)

Table 2. For Taxes (RPT, FT and BT):

	RPT	FT	BT	TOTAL	2024 PROJECTED KWH PER LGU	RATE IMPACT (12 months recovery)
CITY (TACLOBAN)	958,481.52	3,497,376.27	4,226,710.28	8,682,568.07	265,537,406.38	0.002725
PROVINCE (PALO & BABATNGON)	-	504,739.20	-	504,739.20	54,387,179.62	0.000773
TOTAL	958,481.52	4,002,115.47	4,226,710.28	9,187,307.27	319,924,586.00	0.002393

MOTION FOR ISSUANCE OF PROVISIONAL AUTHORITY

25. LEYECO II repleads and adopts the foregoing allegations and annexes as part of the instant motion for issuance of provisional authority.

26. Section 1, Rule 14 of ERC Resolution No. 01, series of 2021 states that:

“Section 1. Provisional Authority or Interim Relief. For applications or petitions covered by Section 1, Rule 6 of the these Rules, the Commission may grant either a provisional authority or an interim relief, upon motion included in the application or petition and indicated in the caption thereof that such relief is requested, or through a separate motion filed by the applicant or petitioner.”

27. Furthermore, Section 2, Rule 14 of Section 1, Rule 14 of ERC Resolution No. 01, series of 2021 also states that:

“Section 2. Allegations in the Motion and Supporting Documents. The motion must allege such

facts and circumstances that would justify the Commission's exercise of discretion in granting provisional authority or interim relief prior to a final decision. Such motion shall be accompanied by affidavits and documents in support of the allegation therein."

28. The nature of the operation of the cooperative being on cash flow basis, Applicant respectfully submits that the issuance of the provisional authority in favor of the applicant will be for the best interest of the consumers. To compound or suspend the collection of the under recoveries will make it more burdensome to the consumers in the future.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that:

1. The motion for the issuance of Provisional Authority to the applicant be GRANTED.
2. The calculations of over/under recoveries that resulted after the implementation of the subject automatic cost adjustments and true-up mechanisms covering the period January 2021 to December 2023 be CONFIRMED and APPROVED; and
3. LEYECO II be allowed to collect the under recoveries and refund the over recoveries from its customers, under LEYECO II's proposed recovery scheme and summarized as follows, to wit:

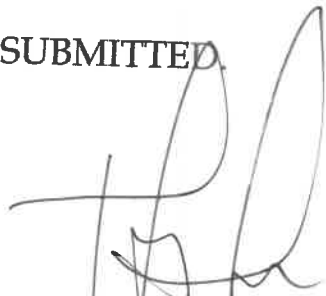
Recovery Period	Projected Sales (KWH)		Generation	Transmission	System Loss	Lifeline	Senior Citizen
	TACLOBAN	PALO/BBT	PHP/KWH				
			0.0147	(0.0030)	(0.0218)	(0.0006)	0.0008
2024	265,537,406.38	54,387,179.62	4,713,432.06	(953,589.14)	(6,974,638.43)	(201,380.49)	242,852.74
2025	342,280,021.00		5,042,793.51	(1,020,223.28)	(7,462,006.65)	(215,452.39)	259,822.61
2026	366,446,159.00		5,398,831.95	(1,092,254.53)	(7,988,849.80)	(230,664.07)	278,166.97

Recovery Period	Projected Sales (KWH)		RPT	FT		BT	Total O/U Recovery	Outstanding Balance of O/U
	TACLOBAN	PALO/BBT	TACLOBAN	PALO/BBT	TACLOBAN			
	PHP/KWH							
			0.0036	0.0132	0.0093	0.002725		(1,015,851.67)
2024	265,537,406.38	54,387,179.62	958,481.52	3,497,376.27	504,739.20	4,226,710.28	(3,173,323.26)	2,157,471.59
2025	342,280,021.00		-	-	-	-	(3,395,066.21)	5,552,537.80
2026	366,446,159.00		-	-	-	-	(3,634,769.48)	9,187,307.28

4. Other reliefs that are just and equitable under the premises are likewise prayed for.

Tacloban City for Pasig City, Philippines, March 20, 2024.

RESPECTFULLY SUBMITTED.



ATTY. TYRON JAN G. ALBAO

Counsel for Applicant LEYECO II

Roll No. 66859; 5/23/2017

IBP No. 432943; 1/29/2024; Leyte Chapter

PTR No. 8949295; 1/31/2024; Tacloban City

TIN No. 265-034-832-000

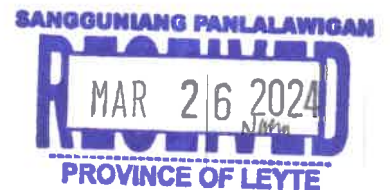
MCLE Compliance No. VII-0002803

Valid until 14 April 2025

Unit 2, 2nd Floor, Tacloban Convention Center

(Astrodome) Real St., Tacloban City 6500

Republic of the Philippines)
Province of Leyte)S.S.
City of Tacloban)



VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

I, **FERNAN PAUL R. TAN**, of legal age, Filipino, married and with office address at Real Street, Sagkahan District, Tacloban City, after being sworn to according to law, depose and state that:

1. I am the incumbent General Manager of the Leyte II Electric Cooperative, Inc. (LEYECO II) duly authorized to represent the cooperative in filing the instant Application and undertake the filing process. I have caused the preparation and filing of the foregoing Petition and its Annexes;
2. I have read and known the contents thereof and that (a) the allegations contained here are true and correct based on my personal knowledge or based on authentic documents; (b) the pleading is not filed to harass, cause unnecessary delay or needlessly increase the cost of litigation; and (c) the factual allegations herein have evidentiary support after reasonable opportunity of discovery;
3. The documents submitted electronically are complete and true copies of the original documents;
4. I or LEYECO II have not commenced any action or proceedings involving the same or similar issues as this Petition before any other tribunal. I am not aware of the pendency of any action involving the same or similar issues as this one. Should I become aware of the pendency of any case involving similar issues as herein involved, I shall inform the Honorable Court within five (5) days from notice.

IN WITNESS WHEREOF, I have hereunto affixed my signatures this _____ at Tacloban City, Philippines.


FERNAN PAUL R. TAN
Affiant

SUBSCRIBED AND SWORN to before me in Tacloban City,

Philippines this 20 2024, the affiant exhibiting to me her

LTO Driver's License No. H02-94-034027 issued on 2/20/2023 at Tacloban City.

Doc No. 176;

Page No. 37;

Book No. 2;

Series of 2024.

Keens
ATTY. PETER JOSEPH DE OÑO
NOTARY PUBLIC - TACLOBAN CITY
N.C. NO. 21724, Exp. until 31 Dec 2024
0977 R. M. L. Sta Cruz, Palo, Leyte
Roll of Atty. No. 1176
IBP No. 320, 17-01-01-24, Tac. City
PTR No. 8481676 / 01-04-24, Tac. City
MCLE Compliance No. VII-0001147