



LEYTE IV ELECTRIC COOPERATIVE, INC.

Hilongos, Leyte
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Item No.: 24

Date: 16 2024 APR

March 27, 2024

HON. LEONARDO M. JAVIER, JR.
Provincial Vice Governor
Sangguniang Panlalawigan of Leyte



Subject : Leyte IV Electric Cooperative, Inc. (LEYECO IV) Application for Confirmation and Approval of Calculations of Over or Under Recoveries in the Implementation of Automatic Cost Adjustments and True-up Mechanisms for the Period 2021-2023, Pursuant to ERC Resolution No. 16, Series of 2009 as Amended by Resolution Nos. 21, Series of 2010, ERC Resolution No. 23, Series of 2010, ERC Resolution No. 14, Series of 2022, and ERC Resolution No. 02, Series of 2021

Sir:

In compliance with the directives of the Energy Regulatory Commission (ERC) in connection with the above application, we are furnishing this Honorable Office the following:

1. Application for Confirmation and Approval of Calculations of Over or Under Recoveries in the Implementation of Automatic Cost Adjustments and True-up Mechanisms for the Period 2021-2023
2. Annexes to the Application

Likewise, in compliance with the directives of the ERC, may we request that said Application be posted at the Bulletin Board of the Sanggunian and thereafter, a **Certification** (Please see attached suggested format) bearing the **Dry Seal** of your Office be issued as proof of posting.

Thank you very much.

Very truly yours,


BRENDA FLORES-AMPOLITOD
General Manager

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Republic of the Philippines
ENERGY REGULATORY COMMISSION
Exquadra Tower, 1 Jade Drive, Ortigas Center
Brgy. San Antonio, 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 FOR THE PERIOD 2021 – 2023 PURSUANT TO ERC RESOLUTION No. 16, SERIES OF 2009 AS AMENDED BY RESOLUTION No. 21, SERIES OF 2010, ERC RESOLUTION No. 23 SERIES OF 2010, ERC RESOLUTION No. 14, SERIES OF 2022, AND ERC RESOLUTION No. 02, SERIES OF 2021

ERC CASE No. _____

LEYTE IV ELECTRIC COOPERATIVE, INC. (LEYECO IV), represented by its Gen. Manager, BRENDA F. AMPOLITOD Applicant,

X-----X

APPLICATION

COMES NOW, Applicant LEYTE IV ELECTRIC COOPERATIVE, INC. (LEYECO IV for brevity), represented herein by its General Manager, Brenda F. Ampolitod, and through the undersigned counsel under authority given by LEYECO IV Board of Directors per Resolution No. 2024-35, hereto attached as **"ANNEX A"**, and a corresponding Secretary Certificate, copy of which is hereto attached as **"ANNEX B"**, respectively; unto this Honorable Commission, most respectfully files this Application in compliance to

ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, and 23, Series of 2010, Resolution No. 14 Series of 2022, and ERC Resolution No. 02, Series of 2021.

This application is seeking approval from the Honorable Commission to refund the over-recoveries in the items of Generation, Transmission, System Loss and Lifeline Subsidy; as well as the collection of under-recovery in the items of Senior Citizen Subsidy, Local Franchise Tax and Real Property Tax, incurred during LEYECO IV's implementation of various automatic cost adjustment and true up mechanisms covering the period from 2021 to 2023 and in support thereof states as follows:

I. THE APPLICANT

1. The applicant, **LEYTE IV ELECTRIC COOPERATIVE, INC.** (**LEYECO IV** for brevity) is a non-stock, non-profit Electric Cooperative duly organized and existing under and by virtue of the Presidential Decree 269, as amended, with capacity to sue and be sued, with principal office address at LEYECO IV Compound, Brgy. Lamak, 6524 Hilongos, Leyte, Philippines, represented in this instance by its General Manager, Brenda F. Ampolitod, who was authorized to file, execute verification and certification relative to this Application per Board Resolution No. 2024-35 (Annex A) with corresponding Secretary Certificate (Annex B).

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate electric light and power services to one (1) City and five (5) municipalities of Leyte, namely: Baybay City, Inopacan, Hindang, Hilongos, Bato, and Matalom. A copy of Applicant LEYECO IV's Certificate of Franchise is hereto attached as "**ANNEX C**".

II. THE ANTECEDENT FACTS

3. Before this filing, herein Applicant had undergone computation and reportorial submission to the Energy Regulatory Commission on its over or under-recoveries incurred in the implementation of automatic cost adjustments and true-up mechanisms on pass-through costs of LEYECO IV following the formulas prescribed under ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, and 23, Series of 2010 and ERC Resolution No. 14, Series of 2022, such as automatic generation rate (GR) and system loss adjustment mechanism; transmission rate (TR) adjustment mechanism; Lifeline rate recovery mechanism; and senior citizen subsidy recovery mechanism.

4. In fact, with regards to LEYECO IV's approved 2018-2020 Over/Under Recoveries, herein Applicant had already completed implementation of the same.

III. LEGAL BASES FOR THE APPLICATION

5. Under Section 43 (t) of the Republic Act No. 9136, the Energy Regulatory Commission (ERC) is mandated to promulgate rules and regulations and perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernizing of the electric power industry.

6. On July 13, 2009, pursuant to Section 43 (f) and (t) of the Republic Act No. 9136 or the Act, Rule 7 of its Implementing Rules and Regulations (IRR) and Section 10 of the Republic Act No. 7832, the ERC had resolved to approve and adopt the so-called "**Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities**", by virtue of **ERC Resolution No. 16, Series of 2009**.

7. However, the aforementioned rules promulgated under Resolution no. 16, series of 2009, failed to address the mismatch between meter reading periods at the wholesale and retail levels due to unequal number of billing days, which results to the misalignment of kWh sales and purchase power. Recognizing the need to address and resolve the said misalignment of kWh sales and purchase power which causes spikes and dips in the computed monthly system loss and adversely affects the actual system loss of the DUs during certain billing months; The ERC had passed a **Resolution No. 21, Series of 2010**, dated On October 18, 2010, which amended Section 4 of Article 4 and Section 1 of the Article 5 of the "Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities".

8. 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.

9. Moreover, ERC Resolution No. 14 Series of 2022 approved and adopt the "Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding

Confirmation Process for Distribution Utilities," with its corresponding "Revised Uniform Reportorial Requirement (URR) Spreadsheet Template". Applicable also in this Application is the ERC Resolution No. 02, Series of 2021 which pertains to the Recovery of Pass-Through Taxes (real property, local franchise and business tax of the distribution utilities).

10. Hence, this Application is pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, and 23, Series of 2010, ERC Resolution No. 14 Series of 2022, and ERC Resolution No. 2 Series of 2021.

IV. THE RESULTING COMPUTED OVER OR UNDER-RECOVERIES INCURRED IN THE IMPLEMENTATION OF AUTOMATIC ADJUSTMENT AND TRUE-UP MECHANISMS FOR THE PERIOD 2021 TO 2023

11. In the application of formulas prescribed under ERC Resolution 16, Series of 2009, as amended by ERC Resolution 21, and 23, Series of 2010, and ERC Resolution No. 14 Series of 2022, Applicant's pass-through cost vis-a-vis the actual collections, resulted in over-recoveries in the items of Generation Rate (GR), Transmission Rate (TR), System Loss Rate (SLR), and Lifeline Subsidy. On the other hand, under-recovery was incurred in the items of Senior Citizen Subsidy, Local Franchise Tax and Real Property Tax. The following table reflects the summary of over/under recoveries for years 2021 to 2023:

	YEAR	PASS THROUGH COST	ACTUAL COLLECTIONS	DIFFERENCE (OVER) / UNDER
Genera- tion Rate (GR)	2021	486,359,798.27	456,306,448.71	30,053,349.56
	2022	798,544,893.43	830,784,306.91	(32,239,413.48)
	2023	669,914,372.04	681,592,253.33	(11,677,881.29)
	TOTAL	1,954,819,063.74	1,968,683,008.95	(13,863,945.21)
Transmis- sion Rate (TR)	2021	58,815,759.88	60,019,578.18	(1,203,818.30)
	2022	60,798,948.32	61,647,072.16	(848,123.84)
	2023	65,277,582.53	63,644,014.76	1,633,567.77
	TOTAL	184,892,290.73	185,310,665.12	(418,374.37)
SYSTEM LOSS RATE (SLR)	2021	60,400,690.23	57,897,620.67	2,503,069.56
	2022	94,070,131.11	96,484,460.00	(2,414,328.89)
	2023	80,276,768.82	83,145,697.26	(2,868,928.44)

	TOTAL	234,747,590.16	237,527,777.93	(2,780,187.77)
LIFELINE SUBSIDY	2021	5,459,088.74	5,223,563.90	235,524.84
	2022	8,340,002.08	8,643,765.78	(303,763.70)
	2023	6,620,376.57	6,938,571.80	(318,195.23)
	TOTAL	20,419,467.39	20,805,901.48	(386,434.09)
SENIOR CITIZEN SUBSIDY	2021	36,037.63	35,581.49	456.15
	2022	59,095.89	55,974.41	3,121.48
	2023	79,296.48	80,815.88	(1,519.40)
	TOTAL	174,430.00	172,371.78	2,058.22
LOCAL FRANCHISE TAX	2021	519,003.32	0.0	519,003.32
	2022	723,835.27	0.0	723,835.27
	2023	984,798.15	0.0	984,798.15
	TOTAL	2,227,636.74	0.0	2,227,636.74
REAL PROPERTY TAX	2021	109,858.84	0.0	109,858.84
	2022	109,858.84	0.0	109,858.84
	2023	123,947.84	0.0	123,947.84
	TOTAL	343,665.52	0.0	343,665.52
GRAND TOTAL/DIFFERENCE, RESULTING TO OVER RECOVERY FOR YEARS 2021 TO 2023				(14,875,580.96)

12. Formulas used in computing the above over/under recoveries, as well as, the reasons for incurring the same are explained in the **Executive Summary**, hereto attached as **Annex "D"**.

13. LEYECO IV incurred an over recovery PhP13,863,945.21 in the Generation Rate due to the volatility of Generation Cost billed by Power Suppliers and because of the use of previous month's data in the prescribed Generation Rate formula instead of the current data to determine the recoverable Generation Costs.

14. The coop incurred an over recovery of PhP418,374.37 in the Transmission Rate due to timing difference in the implementation of Transmission Cost recovery.

15. The reason for the under recoveries in the System Loss Rate (SLR) of PhP2,780,187.77 was caused by the over/under-recoveries in the Generation and Transmission Costs as major

components in the Formula used in computing the System Loss Rate. It also incurred an over recovery of PhP386,434.09 in Lifeline Subsidy due to one-month lag in the recovery of lifeline discounts to residential lifeline customers and an under recovery of PhP2,058.22 due one-month lag in the recovery of discounts granted to qualifies senior citizens

16. LEYECO IV did not recover any of the presented taxes from our consumers. Hence, the stated amounts are all under recovery.

V. THE PROPOSED COLLECTION AND REFUND SCHEMES:

17. The herein Applicant LEYECO IV is proposing an installment way to refund the computed over-recoveries on following items: (a) Generation within 36 months for all customer class; (b) Transmission for higher voltage customers for 36 months; (c) System Loss for a period of 36 months for all customers; (d) while for Lifeline will be refunded within 24 months for non-lifeline (subsidizing) customers.

18. As regards to LEYECO IV's under-recoveries, Applicant is proposing a staggering way to collect the following: (a) Transmission for residential and low voltage customers for a period of 36 months; (b) Senior Citizen over a period of one (3) months for non-senior (subsidizing) customers; (c) Local Franchise Tax over a period of 36 months; and (d) the Real Property Tax over a period of 36 months.

19. Thus, the computed resulting proposed rates of refund and collection are shown below:

PROPOSED REFUND AND COLLECT SCHEMES:

No.	PARTICULAR	(Over)/Under Recovery	Proposed No. of Months	kWh Sales (Based on Annualized Dec. 2023 data)	KW (Based on Annualized Dec. 2023 data)	Rate Php/kWh	Rate Php/kW
1	Generation All Class	(13,863,945.21)	36	284,590,512		(0.0487)	
2	Transmission	(418,374.37)					
	Residential & Low Voltage	1,086,018.28	36	243,855,972		0.0045	
	Higher Voltage	(1,504,392.65)	36		178,484.40		(8.4287)

3	System Loss All Class	(2,780,187.77)	36	284,590,512		(0.0098)	
4	Lifeline Subsidy Non-Lifeline (Subsidizing) Cust.	(386,434.09)	24	183,740,760		(0.0021)	
5	Sr. Cit. Subsidy Non-Senior (Subsidizing) Cust.	2,058.22	3	22,932,900		0.0001	
6	Local Franchise Tax All Class	2,227,636.74	36	284,590,512		0.0078	
7	Real Property Tax All Class	343,665.52	36	284,590,512		0.0012	
TOTAL		(14,875,580.96)				(0.0470)	(8.4287)

VI. SUPPORTING DATA AND DOCUMENTS

20. In support to this Application, LEYECO IV is respectfully submitting herewith the following data and documents, which are being made integral parts hereof, to wit:

21.

ANNEX	NATURE OF DOCUMENT
E	Summary of the results of individual calculations of over or under recoveries made on the subject allowable costs;
F	Proposed Recovery/Refund Scheme
G	Supplier and Transmission Data Sheet
H	Statistical Data Sheet
I	Implemented Rates Data Sheet
J	Lifeline Discount Sheet
K	Senior Citizen Discount Sheet
L	Additional Statistical Data Sheet
M	Power Bills of Suppliers
N	Official Receipts issued by Power Suppliers
O	Breakdown of Payments with Official Receipts
P	Debit/Credit Memo of Power Suppliers
Q	NGCP Invoices
R	Official Receipts issued by NGCP
S	Breakdown of Payments with Official Receipts
T	Summary of Pilferage Cost Recoveries
U	Report of Implemented Other Adjustments
V	MFSR (Sections B and E)
W	Demand (kW) Sales Summary Report
X	Uniform Reportorial Requirement (URR)
Y	Uniform Reportorial Requirement (URR) Addendum

Z	Single Line Diagram
AA	Power Supply Contracts with Generation Companies
BB	Consumer Bills of Lifeliners (per level), Non-Lifeliners per (customer class) and Senior Citizens (per level).

22. Further, in support of this Application, the **“Judicial Affidavit”** of LEYECO IV’s Finance Services Department Manager, Florabel E. Adaya, CPA is hereto attached and made integral part of this application and marked as **“ANNEX CC”**.

VII. COMPLIANCE WITH PRE-FILING REQUIREMENTS

23. In compliance with the ERC prescribed Pre-filing requirements for O/U applications filing, LEYECO IV had provided copies of the Application and its annexes to Sangguniang Bayan of Municipality of Hilongos, where its principal office is located, proof of which is the duly received Transmittal Letter and Certification hereto attached as **“ANNEX DD”** and **“ANNEX EE”**, respectively. Same copy of Application with annexes was given to Sangguniang Panlalawigan of Province of Leyte of Leyte, proof of which are hereto attached as **“ANNEX FF”** and **“ANNEX GG”**, respectively.

24. Moreover, applicant LEYECO IV had initiated the publication of this Application in a newspaper with general circulation within the franchise area of LEYECO IV in Leyte Province, proof of which are hereto attached as **“ANNEX HH”** and **“ANNEX II”**.

PRAYER

WHEREFORE, premises considered it is respectfully and humbly prayed of this Honorable Commission that LEYECO IV’s determination of its over and under recoveries in the implementation of automatic cost adjustment and true-up mechanisms be confirmed and approved, and that Applicant be allowed to collect the computed under-recovery in the items of Senior Citizen Subsidy, Local Franchise Tax and Real Property Tax; likewise be allowed to refund the over-recoveries in the items of: Generation Rate (GR), Transmission Rate (TR), System Loss Rate (SLR) and Lifeline Subsidy, under the proposed collection and refund schemes.

Other reliefs, just and equitable under the premises are likewise most respectfully prayed for.

RESPECTFULLY SUBMITTED.

Tacloban City for Pasig City, this 25th day of March 2024.

ATTY. ROGELIO P. GULA

Legal Counsel of LEYECO IV

Email Address: nhoygula@yahoo.com

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Office Address: Gula Law & Notarial Office, Door 7, Cabigon Bldg.,
Del Pilar Street, (across Sacred Heart Church)
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Roll No. 48025; Lifetime IBP No. 07688; PTR No. 8490302 dtd. 1/2/24
MCLE Compliance No. VII-0004938 valid until 4/14/2025

VERIFICATION and CERTIFICATION OF NON-FORUM SHOPPING

That I, **BRENDA F. AMPOLITOD**, of legal age, Filipino, and with principal office address at the Main Office of Leyte IV Electric Cooperative, Inc. (LEYECO IV), Brgy. Lamak, Hilongos, Leyte, after being sworn to in accordance with law, hereby depose and say:

1. That I am the General Manager of Leyte IV Electric Cooperative, Inc. (LEYECO IV);

2. That I have caused the preparation and filing of the foregoing Application for Over or Under Recoveries in the Implementation of Automatic Adjustment and True-up Mechanisms during the period 2021-2023;

3. That I have read the foregoing Application and I attest that all allegations therein are true and correct to the best of my knowledge, information and belief, and the same is based on authentic records;

4. The pleading is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

5. The factual allegations therein have evidentiary support or, if specifically so identified, will likewise have evidentiary support after a reasonable opportunity for discovery.

6. That I have not commenced any other action or proceeding involving the same issue and nor is any pending before the Supreme Court, the Court of Appeals or any other tribunal or agency and should I learn thereafter that a similar action or proceeding has been filed or is pending other court or tribunal, I undertake to promptly inform this Honorable Commission within five (5) days there from.

IN WITNESS WHEREOF, I have hereunto affixed my name and signature this MAR 25 2024 day of March 2024, Hilongos, Leyte.


BRENDA F. AMPOLITOD


General Manager, LEYECO IV

Proof of identity: TIN 104-950-805

SUBSCRIBED AND SWORN to before me, a Notary Public for the Province of Leyte, this MAR 25 2024 day of March 2024, Hilongos, Leyte, Philippines.

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Series of 2024


Atty. Ma. Lourdes Madula-Vilbar
Notary Public
A. F. Rubio St.
Barangay Central Poblacion Hilongos Leyte
Until December 31, 2024
PTR no. 8851071; 01/09/2024; Hilongos, Leyte
IRP no. 412460; 01/09/2024
Rufi No. 51835; Notarial Commission No. 256-2023-03