

Item No.: 07
Date: 30 2024 JUL

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

SANGGUNIANG PANLALAWIGAN
RECEIVED
JUL 15 2024
PROVINCE OF LEYTE

07

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. 2024-007 CF

LEYTE IV ELECTRIC COOPERATIVE, INC. (LEYECO IV), REPRESENTED BY ITS GENERAL MANAGER, BRENDA F. AMPOLITOD
Applicant.

Promulgated:
April 19, 2024

X-----X

ORDER

On 15 April 2024, Leyte IV Electric Cooperative, Inc. (LEYECO IV) filed an *Application* dated 25 March 2024, seeking the Commission's confirmation and approval of the calculations of its over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 2021 to 2023, pursuant to the Energy Regulatory Commission's (ERC) Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, Series

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; (*sic*) The ERC had passed a Resolution No. 21, Series of 2010, dated On (*sic*) 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 (*sic*) 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. (*sic*))

12. Formulas used in computing the above over/under recoveries, as well as, (*sic*) 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;
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) (*sic*) 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:

X	Uniform Reportorial Requirement (URR)
Y	Uniform Reportorial Requirement (URR) Addendum

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 (*sic*) 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 (*sic*) 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.

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **21 May 2024 (Tuesday), at nine o’clock in the morning (9:00 A.M.) via MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series

compliance with the aforementioned jurisdictional requirements, attaching the following methodically arranged and duly marked documents:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of an affidavit of the Editor or Business Manager of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issue of the said newspaper;
- 2) The evidence of the actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by LEYECO IV to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, if any, by all those making requests therefor; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, Applicant LEYECO IV is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Offices of the Governor, Mayors, and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant LEYECO IV and all interested parties are also required to submit via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, at least five (5) calendar days

Applicant LEYECO IV is further directed to submit, either through personal service, registered mail or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavits of witnesses, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Finally, Applicant LEYECO IV, including its authorized representatives and witnesses, are hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

SO ORDERED.

Pasig City, 19 April 2024.

FOR AND BY AUTHORITY
OF THE COMMISSION:

Medimalanta
MONALISA C. DIMALANTA
Chairperson and CEO

See ln 4
LS: JSC/LSF/RTB



Republic of the Philippines
ENERGY REGULATORY COMMISSION
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



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Applicant.

Promulgated:
April 19, 2024

X-----X

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 15 April 2024, Leyte IV Electric Cooperative, Inc. (LEYECO IV) filed an *Application* dated 25 March 2024, seeking the Commission's confirmation and approval of the calculations of its over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period

2021 to 2023, pursuant to the Energy Regulatory Commission's (ERC) Resolution No. 16, Series of 2009, as amended by ERC 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.

The pertinent allegations of the *Application* are hereunder quoted 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 (*sic*) to LEYECO IV's approved 2018- 2020 Over/Under Recoveries, herein Applicant had already completed implementation of the same.

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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, (sic) 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
Generation 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)
Transmission 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)

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PROPOSED REFUND AND COLLECT SCHEMES:

No.	PARTICULAR	(Over)/Under Recovery	Propose d 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 Residential Low Voltage & Higher Voltage	(418,374.37) 1,066,018.28 (1,504,392.65)	36 36	243,855,972	178,484.40	0.0045	(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	Rea: Property Tax All Class	343,665.52	36	284,590,512		0.0012	
	TOTAL	(14,875,880.96)				(0.0470)	(8.4287)

VI. SUPPORTING DATA AND DOCUMENTS

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

21. (sic)

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

of 2020¹ and Resolution No. 01, Series of 2021² (ERC Revised Rules of Practice and Procedure).

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene **at least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon **at least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.