

Item No.: 13  
Date: 09 2024 JUL

SANGGUNIANG PANLALAWIGAN  
**RECORDED**  
JUL 03 2024  
**PROVINCE OF LEYTE**

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 TO 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. 02,  
SERIES OF 2021, AND ERC  
RESOLUTION NO. 14,  
SERIES OF 2022

**ERC CASE NO. 2024-003 CF**

LEYTE V ELECTRIC  
COOPERATIVE, INC.  
(LEYECO V),

*Applicant.*

X-----X

**Promulgated:**

April 16, 2024

**ORDER**

On 03 April 2024, Leyte V Electric Cooperative, Inc. (LEYECO V) filed an *Application*, dated 23 March 2024, seeking the Commission's approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 2021 to 2023, pursuant to the Commission's Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010, Commission's Resolution No. 23, Series of 2010, Commission's Resolution No. 02, Series of 2021, and Commission's Resolution No. 14, Series of 2022.

7. Foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years.
8. Hence, the filing of the instant application, covering the period of January 2021 to December 2023.

**OVER OR UNDER-RECOVERIES OF ALLOWABLE COSTS**

9. Applying the formulae provided under Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010, Resolution No. 23, Series of 2010, Resolution No. 02, Series of 2021, and ERC Resolution No. 14, Series of 2022, respectively, LEYECO V 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 of January 2021 to December 2023;
10. The results of its calculations are presented hereunder, as follows:

Mechanism	Recoverable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation	5,322,384,410.05	5,017,934,644.67	304,449,765.38
Transmission	575,250,275.37	572,701,203.15	2,549,072.22
Systems Loss	580,348,536.74	567,784,230.68	12,564,306.06
Lifeline Subsidy/ Discount	94,117,792.33	94,617,243.06	(499,450.73)
Senior Citizen Subsidy/ Discount	927,302.88	904,991.75	22,311.13
Local Franchise Tax Recovery	5,049,345.86	2,956,803.89	2,092,541.97
Real Property Tax Recovery	319,896.20	275,088.30	44,807.90
<b>Total</b>			<b>321,223,353.93</b>

**REASONS FOR THE OVER/UNDER-RECOVERIES**

11. In the case of the Generation Rate, LEYECO V incurred an under-recovery amounting to Php304,449,765.38 due to the following reasons:
  - a. There are variable factors present in Power Supplier's bill that fluctuate over time due to several factors such as fuel prices, market dynamics, forex (*sic*) exchange rates and regulatory and policy changes;
  - b. The Electric Cooperatives, being distribution utilities, have membership in the Wholesale Electricity Spot Market (WESM), directly. Consequently, a portion of

16. For the Local Franchise Tax, LEYECO V incurred an under-recovery in the total amount of Php2,092,541.97 due to the difference in the projected kWh sales versus actual monthly kWh sales and the calculation following a one-month lag approach. Likewise, LEYECO V did not recover the franchise tax paid in the year 2021.
17. For the Real Property Tax, LEYECO V incurred an under-recovery in the total amount of Php44,807.90 due to the difference in the projected kWh sales versus actual monthly kWh sales and the calculation following a one-month lag approach.

**SUPPORTING DATA AND DOCUMENTS**

18. In support of foregoing calculations, LEYECO V is submitting the following data and documents covering the period of January 2021 to December 2023, attached hereto and made integral parts hereof, as follows:

FOLDER NO.	ANNEX MARKINGS	DESCRIPTION OF DOCUMENTS
Folder 1	Annex A	Supplier and Transmission Data Sheet Per Year
	Annex B	Statistical Data Sheet Per Year
	Annex C	Actual Implemented Rates Sheet Per Year
	Annex D	Lifeline Discount Sheet Per Year
	Annex E	Senior Citizen Discount Sheet Per Year
	Annex F	Additional Statistical Data Sheet Per Year
	Annex G	Summary of Over/Under-Recoveries Computation
	Annex H	Proposed Refund/Collect Scheme
Folder 2	SUPPLIER AND TRANSMISSION DATA	
	Annex I	Power Bills from Suppliers
Folder 3	STATISTICAL DATA	
	Annex J	Pilferage Cost Recoveries
	Annex K	Report on the Implemented Orders/Decisions
	Annex L	MFSR – Sections B and E
	Annex M	Demand (kW) Sales Summary Report
Folder 4	ACTUAL IMPLEMENTED RATES DATA	
	Annex N	Consumer Bills per Customer Class (Non-Lifeline)
	Annex O	Consumer Bills per Lifeline Bracket (Lifeline)
	Annex P	Senior Citizen Consumer Bills
Folder 5	OTHER DOCUMENTS	
	Annex Q	Submitted Monthly URR per Reso. 17, Series of 2009
	Annex R	Submitted Monthly URR Addendum

January 2021 to December 2023, and allow the cooperative to refund the over-recoveries or collect the under-recoveries, as the case maybe, to or from its customers, based on the following refund/collect scheme, to wit:

Mechanism	(Over)/Under-Recovery (PhP)	Proposed Term of Refund /Collect	Rate per Month
Generation Rate	304,449,765.38	36 months	0.4135
Transmission Rate			
Residential	5,983,482.11	36 months	0.0148
Lower Voltage	4,125,568.95	36 months	0.0217
Higher Voltage	(7,559,978.84)	36 months	(3.2045)
System Loss Rate	12,564,306.06	36 months	0.0164
Lifeline Subsidy/ Discount Rate	(499,450.73)	36 months	(0.0007)
Senior Citizen Subsidy/ Discount Rate	22,311.13	3 months	0.0003
Local Franchise Tax Recovery Rate (Ormoc City)	1,045,201.09	12 months	0.0077
Local Franchise Tax Recovery Rate (11 Municipalities)	1,047,340.88	12 months	0.0087
Real Property Tax Recovery Rate	44,807.90	12 months	0.0006
<b>Total</b>	<b>321,223,353.93</b>		

Other reliefs, just and equitable in the premises are likewise 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 **10 May 2024 (Friday), at two o'clock in the afternoon (2:00 P.M.) via MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>1</sup> and Resolution No. 01, Series of 2021<sup>2</sup> (ERC Revised Rules of Practice and Procedure).

**RELATIVE THERETO**, Applicant LEYECO V is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation

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

<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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 V 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 V 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 V and all interested parties are also required to submit via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), **at least five (5) calendar days** before the date of the scheduled virtual 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 therefor, which should also be attached to the Pre-trial Brief; and

Finally, Applicant LEYECO V, including its authorized representatives and witnesses, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto: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, 16 April 2024.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**MONALISA C. DIMALANTA**  
*Chairperson and CEO*

  
LS: JSC/LSP/KTB

**ERC**

Office of the Chairperson and CEO



MCD2024-016420



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20. Office of the Sangguniang Bayan  
Tabango, Leyte
21. Office of the Municipal Mayor  
San Isidro, Leyte
22. Office of the Sangguniang Bayan  
San Isidro, Leyte
23. Office of the Municipal Mayor  
Leyte, Leyte
24. Office of the Sangguniang Bayan  
Leyte, Leyte
25. Office of the Municipal Mayor  
Palompon, Leyte
26. Office of the Sangguniang Bayan  
Palompon, Leyte
27. Office of the Municipal Mayor  
Isabel, Leyte
28. Office of the Sangguniang Bayan  
Isabel, Leyte
29. Office of the Municipal Mayor  
Calubian, Leyte
30. Office of the Sangguniang Bayan  
Calubian, Leyte
31. Office of the Municipal Mayor  
Merida, Leyte
32. Office of the Sangguniang Bayan  
Merida, Leyte
33. Regulatory Operations Service (ROS)  
Energy Regulatory Commission  
14<sup>th</sup> Floor, Exquadra Tower, 1 Jade Drive,  
Ortigas Center San Antonio, Pasig City  
Email: [ros@erc.ph](mailto:ros@erc.ph)

Series of 2010, Commission's Resolution No. 02, Series of 2021, and Commission's Resolution No. 14, Series of 2022.

The pertinent allegations of the *Application* are hereunder quoted as follows:

**THE APPLICANT**

1. LEYECO V is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Brgy. San Pablo, Ormoc City;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the City of Ormoc, and the municipalities of Albuera, Kananga, Matag-ob, Villaba, Tabango, San Isidro, Leyte, Palompon, Isabel, Calubian, and Merida, all in the province of Leyte.

**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 and Lifeline Rate Recovery, 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. Further, ERC Resolution No. 02, Series of 2021, provides for the recovery of all just and reasonable costs pertaining to current taxes (real property, local franchise, and business tax) that are levied by local government units within the distribution utilities' franchise area, subject to the post-validation and confirmation process mechanism of the Commission.
6. Finally, ERC Resolution No. 14, Series of 2022, directs the distribution utilities to adopt the Revised Rules governing the automatic cost adjustment and true-up mechanisms and corresponding confirmation process for DUs with its revised



- b. The Electric Cooperatives, being distribution utilities, have membership in the Wholesale Electricity Spot Market (WESM), directly. Consequently, a portion of our generation rate is consistently exposed to price fluctuations in the spot market, depending on our market participation.
  - c. The monthly calculation of generation costs follows a one-month lag approach, where the cost of power from the previous month is used for the current month's computation.
  - d. The calculation formula for the monthly generation rate in the year 2021-2022 is derived from Resolution No. 16 Series of 2009. This resolution outlines the formula used to compute the generation rate in the year 2021-2022. The latest Resolution No. 14 Series of 2022 issued on December 19, 2022 has introduced a new formula for calculating monthly generation rate and over/under recovery. The variance between the Total kWh Purchased and Generated (TPGGR) compared to Total Energy Input (kWhGR) has led to an additional under-recovery in generation costs.
  - e. The reduction in recovery by the year 2023 resulted from the implementation of monthly over/under recovery calculations and the transition from using TPGGR to kWhGR in accordance with Resolution No. 14 Series of 2022.
12. For the Transmission Rate, LEYECO V incurred an under-recovery amounting to Php2,549,072.22 due to the calculation formula for the monthly transmission rate differing from the formula used for over/under recovery purposes. Additionally, the monthly calculation of the transmission costs follows a one-month lag approach, where the cost of power from the previous month is used for the current month's computation;
13. For the System Loss Rate, LEYECO V incurred an under-recovery amounting to Php12,564,306.06. The calculation of System Loss Rate's over/under-recoveries was primarily attributed to the over/under-recoveries in Generation and Transmission Costs, which are major components of the formula used to compute the System Loss Rate. Additionally, the calculation formula for the monthly system loss rate differs from the formula used for over/under recovery purposes;
14. For the Lifeline Discount and Subsidy, LEYECO V incurred an over-recovery amounting to Php499,450.73 due to the calculation following a one-month lag approach and variation in the monthly calculated lifeline rate, which is affected by actual kWh consumption of Lifeliners and Non-lifeliners;

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	Annex Q	Submitted Monthly URR per Reso. 17, Series of 2009
	Annex R	Submitted Monthly URR Addendum
	Annex S	Single Line Diagram
	Annex T	Power Supply Contracts with Generation Companies
Folder 6	LOCAL FRANCHISE, BUSINESS, AND REAL PROPERTY TAXES	
	Annex U Series	a) Local Franchise Tax Local Tax Ordinance, Tax Receipts for payments made, Actual Distribution Revenues, Breakdown of Gross Sales/Receipts; Appendix B
	Annex V	b) Consumer Bills per LGU
	Annex W Series	Real Property Tax a) Local Tax Ordinance; Tax Declarations; Tax Assessments; Statements of Account; Official Receipts; Appendix A
	Annex X	b) Consumer Bills per LGU
	Annex Y	Computations on how the implemented pass-through taxes were derived

19. Further, in compliance with the pre-filing requirements under the Revised ERC Rules of Practice and Procedure, herein applicant is submitting the following documents to form integral parts hereof, as follows, to wit:

ANNEX MARKINGS	DESCRIPTION OF THE DOCUMENTS
Annex Z series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Panlungsod of Ormoc City
Annex AA series	Proof of publication of the Application in a newspaper of general within LEYECO V's franchise area or where it principally operates

20. Considering foregoing (sic), it is respectfully prayed that LEYECO V'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 may be, to or from its customers.

**PRAYER**

WHEREFORE, premises considered, applicant Leyte V Electric Cooperative, Inc. (LEYECO V) respectfully prays of this Honorable Commission, that upon initial review of the instant Application and pending evaluation hereof, the cooperative be

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](mailto:doCKET@erc.ph), and copy furnishing the Legal Service through [legal@erc.ph](mailto: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](mailto:doCKET@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto: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) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private