

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
CONFIRMATION OF
AUTOMATIC COST
ADJUSTMENT AND TRUE UP
MECHANISM OF THE
OVER/UNDER RECOVERIES
OF THE GENERATION RATE,
TRANSMISSION RATE,
SYSTEM LOSS RATE,
LIFELINE SUBSIDY, AND
SENIOR CITIZEN DISCOUNT
SUBSIDY FOR THE PERIOD
JANUARY 2018 TO
DECEMBER 2020**

ERC CASE NO. 2021-004 CF

**MACTAN ELECTRIC
COMPANY, INC. (MECO),
*Applicant.***

Promulgated:
April 22, 2021

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ORDER

On 06 April 2021, Applicant Mactan Electric Company, Inc. (MECO) filed an *Application* dated 03 February 2021, seeking the Commission's confirmation of automatic cost adjustment and true-up mechanism of the over or under recoveries of the generation rate, transmission rate, system loss rate, lifeline subsidy, and senior citizen discount subsidy for the period January 2018 to December 2020.

The pertinent allegations in the said *Application* are hereunder quoted, as follows:

1. MECO is a corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office at MECO Building, Sangi Road, Lapu-Lapu City, Cebu. It may be served with notices and other processes through the undersigned counsel.
2. MECO has legislative franchise and Certificate of Public Convenience and Necessity as a distribution utility to operate

and maintain a distribution system and provide distribution services in the City of Lapu-Lapu and in the Municipality of Cordova.

3. Pursuant to Section 43 of Republic Act No. 9136 or the Electric Power Industry Reform Act (EPIRA), the Energy Regulatory Commission (ERC) adopted and promulgated rules to establish a 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 Commission.
4. This Application seeks to confirm MECO's calculations of over/under recoveries of the following pass-through costs: Generation Rate Over/Under Recovery (**GOUR**), Transmission Rate Over/Under Recovery (**TOUR**), System Loss Rate Over/Under Recovery (**SLOUR**), Lifeline Subsidy Over/Under Recovery (**LSOUR**), and Senior Citizen Discount Subsidy Over/Under Recovery (**SrDSOUR**) for the period from January 2018 to December 2020, pursuant to the following ERC resolutions:
 - a. **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," which provides the formulae for the calculation of over or under recovery on the Generation Rate, Transmission Rate, System Loss Rate, and Lifeline Subsidy Rate;
 - b. **Resolution No. 21, Series of 2010**, entitled, "A Resolution Amending Section 4 of Article 4 and Section 1 of Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities," which provides the amended formula for the determination of actual system loss; and
 - c. **Resolution No. 23, Series of 2010**, entitled, "A Resolution Adopting the Rules Implementing the Discounts to Qualified Senior Citizen End-Users and Subsidy from the Subsidizing End-Users on Electricity Consumption Under Sections 4 & 5 of Republic Act No. 9994," which provides the formulae for the calculation of the over or under recovery in the implementation of the Senior Citizen Discounts and Subsidy Rates.
5. The calculated over/under recoveries of MECO from January 2018 to December 2020 based on the formulae provided in the said ERC Resolutions are as follows:

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	GOUR	TOUR	SLOUR	LSOUR	SrDSOUR	Net Results
Allowable Cost/ Discount	7,195,548,693	1,129,088,504	790,827,528	45,514,050	55,259	9,161,034,033
Actual Revenue/ Subsidy	7,201,775,156	1,158,945,461	704,046,239	43,988,813	0	9,108,755,668
(Over)/Under	(6,226,463)	(29,856,957)	86,781,289	1,525,238	55,259	52,278,365

6. In support of this Application, MECO respectfully submits physical/hard copies and electronic copies of the following documents:

Folder No.	Marking	Description
Folder 1	1A	Application
	1B	Supplier & Transmission Data Sheet for (Year 1, Year 2, Year 3)
	1C	Statistical Data Sheet for Y1, Y2, Y3
	1D	URR Addendum/DSL Data for Y1, Y2, Y3
	1E	Actual Implemented Rates Sheet for Y1, Y2, Y3
	1F	Lifeline Discount Sheet for Y1, Y2, Y3
	1G	Senior Citizen Discount Sheet for Y1, Y2, Y3
	1H	Summary of O/U Recoveries Computation
	1I	Proposed refund/collect scheme
Folder 2	Bill 1, 2, etc.	Power Bills from Suppliers
Folder 3 Statistical Data	3A	Summary of Pilferage Cost Recoveries
	3B	Summary of Implemented Orders/Decisions
	3C	Demand (kW) Sales
Folder 4 Actual Implemented Rates Data	4A	Two (2) Consumer Bills per customer class
	4B	One (1) consumer bill per Lifeline Bracket
	4C	One (1) Senior Citizen Consumer Bill
Folder 5 Other Docs	5A	Submitted Mo. URR
	5B	Submitted Mo. URR Addendum
	5C	Single Line Diagram
	5D (softcopy)	Submitted Mo. Reports as per ERC Resolution 10, Series of 2018
	5E	Computation on how the pass-through charges were derived

7. MECO will also submit proof of publication and proof of service of copies of the Application and its supporting documents to the following local government offices upon the filing of this Application (**Folder 6**, marked as 6A, series) –

LGU	Address
Office of the Sangguniang Panlalawigan, Province of Cebu	4/F Legislative Bldg., Capitol Compound, Escario St., Cebu City
Hon. Gwendolyn Garcia Office of the Governor of Cebu	Office of the Provincial Governor, Cebu Provincial Capitol, Cebu City
Office of the Sangguniang Panlungsod, City of Lapu-Lapu	ML Quezon Highway, City Hall Compound Lapu-Lapu City, Cebu
Hon. Junard Chan Office of the Mayor of Lapu-Lapu	ML Quezon Highway, City Hall Compound, Lapu-Lapu City, Cebu
Office of the Sangguniang Bayan, Municipality of Cordova	ABC Building, Poblacion Road, Cordova, Cebu

Hon. Mary Therese Sitoy-Cho Office of the Mayor of Cordova	ABC Building, Poblacion Road, Cordova, Cebu
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RELIEF

MECO prays that the Honorable Commission APPROVE this Application and CONFIRM its calculations of over/under recovery as follows:

(Over)/Under Recovery	Amount (PhP)
Generation (Over) Recovery	(6,226,463.00)
Transmission (Over) Recovery	(29,856,957.00)
System Loss Under Recovery	86,781,289.00
Lifeline Subsidy Under Recovery	1,525,238.00
Senior Citizen Discount and Subsidy Under Recovery	55,259.00

MECO also prays for other equitable relief.

Finding the said *Application* to be sufficient in form 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 the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020,¹ dated 24 September 2020:

Date	Platform	Activity
02 June 2021 (Wednesday) at nine o'clock in the morning (9:00 AM)	Microsoft Teams Application	Determination of compliance with the jurisdictional requirements and expository presentation
09 June 2021 (Wednesday) at nine o'clock in the morning (9:00 AM)		Pre-trial Conference and presentation of evidence

RELATIVE THERETO, MECO is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, with the date of publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor,

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

the Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the franchise area for the appropriate posting thereof on their respective bulletin boards;

- 3) Inform the consumers within the franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual 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 hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to the resolution of the prayer for confidential treatment, if any, and reimbursement of reasonable photocopying costs.²

Within five (5) calendar days prior to the date of the initial virtual hearing, MECO must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, the scanned copies of 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 Virtual Hearing* consisting of 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 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 bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by MECO to inform the consumers within the franchise area of the filing of the

² For the e-mail address of the Applicant, please see page 9.

Application, its reasons therefor, and of the scheduled hearings thereon;

- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, 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.

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

MECO and all interested parties are also required to submit via e-mail at docket@erc.ph, copy furnish the Legal Service through 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
4. The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

MECO must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of MECO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

MECO 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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

MECO is hereby directed to file a copy of its Expository Presentation via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, at least five (5) calendar days prior to the scheduled virtual hearing. MECO shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at doCKET@erc.ph, 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.

MECO is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, 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. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

Finally, Applicant, including their authorized representative/s and witness/es, are hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, with 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 hearings.

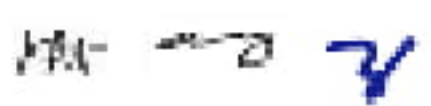
SO ORDERED.

Pasig City, 13 April 2021.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO




LS: KPA/ARG/MCCG

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COPY FURNISHED:

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2. Mactan Electric Company, Inc. (MECO)
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3. Office of the Solicitor General (OSG)
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10. Hon. Junard Chan
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11. Office of the Sangguniang Bayan
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12. Hon. Mary Therese Sitoy-Cho
Office of the Mayor, Municipality of Cordova
13. Regulatory Operations Service (ROS)
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