

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF THE  
APPLICATION FOR:**

**(1) CONFIRMATION OF  
TRUE-UP CALCULATION OF  
THE ACTUAL WEIGHTED  
AVERAGE TARIFF IN  
RELATION TO THE  
APPROVED AVERAGE RATE  
IN THE PREVIOUS  
REGULATORY RESET  
UTILIZED AND  
IMPLEMENTED DURING THE  
LAPSED REGULATORY  
PERIOD; AND**

**(2) APPROVAL OF RECOVERY  
SCHEME FOR THE LAPSED  
REGULATORY YEARS,  
WITH MOTION FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2022-077 RC**

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

X-----X

**Promulgated:**  
November 14, 2022

**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 24 October 2022, Mactan Electric Company, Inc. (MECO) filed an *Application* dated 19 July 2022, seeking the Commission's (1) confirmation of its true-up calculations of the Actual Weighted Average Tariff (AWAT) in relation to the approved average rate in the previous regulatory reset utilized and implemented during the lapsed regulatory period, and (2) approval of the recovery scheme for the lapsed regulatory years, with motion for provisional authority.

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

1. MECO is a private distribution utility with legislative franchise<sup>1</sup> and certificate of public convenience<sup>2</sup> to construct, install, establish, operate and maintain a distribution system for the conveyance of electric power to the end users in the City of Lapu-Lapu and Municipality of Cordova. For this application, MECO is represented by its General Manager and Senior Vice President, Engr. Gilbert A. Pagobo as shown in the attached *Secretary's Certificate*.
2. Applicant may be served notices and other official documents at its principal office located at MECO Building, Sangi Road, Pajo, Lapu-Lapu and through its counsel, Rubio-Aguinaldo & Attorneys Law Firm, with office address at 802 Prime Land Tower, Market Street, Ayala Alabang, 1780 Muntinlupa City. Official documents may also be transmitted electronically at applicant's registered e-mail addresses: [atty.mish@gmail.com](mailto:atty.mish@gmail.com), [julito.gultiano@mecomactan.com](mailto:julito.gultiano@mecomactan.com), [nitoytolentino@mecomactan.com](mailto:nitoytolentino@mecomactan.com)
3. Under Resolution No. 24, Series of 2007, entitled, "*Resolution Adopting a New Grouping for Privately Owned Distribution [Utilities] Entering Performance Based Regulation (PBR)*" dated October 24, 2007, MECO was grouped under the Second Entry Group (Group B). PBR is the rate-setting methodology adopted by the Commission to fix the distribution wheeling rates of privately-owned DUs.
4. As part of Second Entry Group, MECO has already completed its Second Regulatory Reset Process for the Second Regulatory Period (2RP) which covers the period from April 1, 2009 to March 31, 2013.
5. A regulatory reset process, under Annex A of Resolution No. 10, Series of 2021, entitled, "*Resolution Modifying the Rules for Setting the Distribution Wheeling Rates (RDWR) for Privately-Owned Distribution Utilities Entering Performance-Based Regulation (PBR)*" dated December 2, 2021 or the Revised RDWR, refers to the actions prior to the start of any Regulatory Period, through which the price control arrangements are established that will apply to a Regulated Entity with regard to the provision of Regulated Distribution Services for the next Regulatory Period. The Revised RDWR also provides for MECO's 3RP which covers the period April 1, 2013 to March 31, 2023, the lapsed period.
6. As a price control principle, the Revised RDWR requires that the maximum distribution wheeling rates that a private DU may charge during each Regulatory Year for its distribution system will be set at a Maximum Annual Price cap. Therefore, the maximum average price during the regulatory year must not exceed the Maximum Annual Price cap.

---

<sup>1</sup> Pursuant to Republic Act No. 10890 dated July 17, 2016.

<sup>2</sup> Pursuant to the Decision dated April 23, 2018 in ERC Case No. 2016-045 MC.



**ERC CASE NO. 2022-077 RC**  
**NOTICE OF VIRTUAL HEARING / 14 NOVEMBER 2022**  
**PAGE 3 OF 7**

---

7. In ERC Case No. 2011-180 RC, the Commission approved a maximum average price or MAP<sub>2013</sub> of PhP1.1851/kWh for regulatory year 2013 which MECO continues to implement to date. The same ERC-approved Distribution, Supply, and Metering (DSM) rates were also applied, adopted, and continuously being implemented by MECO.
8. Details of MECO's historical DSM Revenue, Energy (KWH) Sales, and Regulated Business Revenue (RBR) from April 2012 are shown below:

Regulatory Years	(a) Historical DSM Revenue (Lapsed Period: Apr 2012 to June 2022), in Php	(b) Historical KWH Sales (Lapsed Period: Apr 2012 to June 2022), in KWH	Regulated Business Revenue (RBR), in Php	(g) 50% of RBR, In PhP
2013	364,167,841.45	341,667,049.11	20,434,389.24	10,217,194.62
2014	378,037,187.17	357,229,312.47	5,051,239.15	2,525,619.58
2015	418,705,944.49	385,789,869.00	24,705,459.97	12,352,729.99
2016	490,485,006.19	430,366,511.00	6,016,591.95	3,008,295.98
2017	529,803,386.32	458,961,902.00	11,709,558.12	5,854,779.06
2018	532,082,981.67	463,234,533.00	8,449,342.91	4,224,671.46
2019	573,353,663.82	506,254,746.00	8,309,525.34	4,154,762.67
2020	650,552,301.19	571,397,788.50	22,330,807.78	11,165,403.89
2021	567,220,217.28	469,351,464.67	20,441,370.19	10,220,685.10
2022	550,512,581.19	457,553,054.79	3,290,203.65	1,645,101.83
2023	155,181,560.14	132,335,351.00	5,398,899.04	2,699,449.52
<b>TOTAL</b>	<b>5,210,102,670.91</b>	<b>4,574,141,581.54</b>	<b>136,137,387.34</b>	<b>68,068,693.67</b>

9. To determine any resulting over or under recovery from the previous Regulatory Years or Lapsed Period, MECO's historical DSM revenue (a) was divided by its total historical kWh sales (b). The resulting actual average rate at PhP/kWh shows the Actual Weighted Average Tariff (AWAT) (c) for the Lapsed Period equivalent to PhP1.1390 per kWh. *Formula: (a)/(b) = (c)*
10. Based on the calculation of the AWAT of PhP1.1390/kWh (c), as against the ERC-approved MAP of PhP1.1851/kWh (d), the result yielded a variance of PhPo.0461 per kWh (e) lower than the MAP, which is the approved price cap. *Formula: (d)-(c) = (e)*
11. Since the AWAT is below the price cap, there is a resulting under recovery amounting to PhP210,867,926.91 (f). This amount was computed by multiplying the KWH sales (b) with the variance (e). *Formula: (b)\*(e) = (f)*
12. Furthermore, MECO derived the rate on RBR from the 50% RBR requirement of the Revised RDWR *vis-a-vis* the average energy sales for 5 years thereby generating a *Php/kWh* rate of PhPo.0181 per kWh which will be deducted from the tariff of each customer class.

**ERC CASE NO. 2022-077 RC**  
**NOTICE OF VIRTUAL HEARING / 14 NOVEMBER 2022**  
**PAGE 4 OF 7**

13. The approved DSM charges per customer class implemented by MECO pursuant to the *Decision dated April 2, 2012* in ERC Case No. 2011-180 RC are as follows:

Customer Class	Description	Approved DSM Rate 2011-180 RC
Schedule 4	230V Residential	1.4408
Schedule 3	230V Non-Residential	1.1914
Schedule 2	13.8kV with <1MW demand	0.9962
Schedule 1	13.8kV with >1MW demand	0.8855
Total		1.1851

14. MECO proposes the following computation and recovery scheme pursuant to Articles IV and VII of the Revised RDWR which will be implemented over a period of five (5) years. The recovery rate is based on the proportional share of each customer class and will have the following rate impact, *viz*:

Customer Class	Recovery Rate on DSM	RBR (PhP/kwh)	Total Recovery Rate = Recovery Rate on DSM - Rate on RBR
Schedule 4	0.0684	0.0181	0.0503
Schedule 3	0.0556		0.0375
Schedule 2	0.0488		0.0307
Schedule 1	0.0385		0.0204

15. Therefore, the proposed DSM charges per customer class are as follows:

Customer Class	DSM Rate	Recovery Rate	Final Rate
Schedule 4	1.4408	0.0503	1.4911
Schedule 3	1.1914	0.0375	1.2289
Schedule 2	0.9962	0.0307	1.0269
Schedule 1	0.8855	0.0204	0.9059

**MOTION FOR PROVISIONAL AUTHORITY**

16. Finally, a provisional authority to implement the proposed recovery scheme pending final approval of the Commission will give meaning to the purpose and objective of the true-up mechanism and allow full recovery of investment on regulated assets at an appropriate rate of return which is allowed by R.A. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA). The current economic crisis caused a tremendous shift in global prices – fluctuating fuel prices and surge in the cost of goods, commodities, and raw materials. The immediate recovery will augment MECO’s financial constraints. Otherwise, the failure to recover the same at this point in time, or a much-prolonged recovery, may translate into losses that may in turn affect the operational efficiency of the DU.
17. In support of this Application, MECO submits the electronic file of the following supporting documents:

Annex	Description
A	Breakdown of the Distribution, Supply and Metering Revenues and Actual Energy Sales (kWh) for the covered period (in excel format);



**ERC CASE NO. 2022-077 RC**  
**NOTICE OF VIRTUAL HEARING / 14 NOVEMBER 2022**  
**PAGE 5 OF 7**

---

Annex	Description
B	Detailed Computation of the Under Recoveries or the AWAT computation (in excel format);
C	Detailed Computation of the Proposed Refund Rate per Customer Class (in excel format);
D	Detailed Computation of the Proposed Refund Period (forecast energy sales) (in excel format);
E	Summary of the approved Average rate by Rate Schedule or Customer Class with Rate Impact Simulation (in excel format);
F	Document to Support Related Business Revenue
G	Judicial Affidavit of Engr. Juanito O. Tolentino, Jr., Head of MECO's Engineering Department (in .docx, .pdf, and paper copy) in support of the <i>Motion for Provisional Authority</i>

These documents may be accessed through this link:

<https://drive.google.com/drive/folders/1i13KPeo4LHk9mGVlXKPA1BQhZG25aHb6?usp=sharing>

RELIEF

In view of the foregoing, applicant MACTAN ELECTRIC COMPANY INC. (MECO) prays that the Honorable Commission:

- (1) CONFIRM MECO's proposed mechanism for the 3<sup>rd</sup> Regulatory Period of the PBR or the lapsed period consistent with the Revised RWDR;
- (2) CONFIRM MECO's computation of resulting under recovery of Two Hundred Ten Million Eight Hundred Sixty-Seven Thousand Nine Hundred Twenty-Six and 91/100 (PhP210,867,926.91);
- (3) APPROVE MECO's proposed additional rate per customer class under a 5-year period recovery scheme, *viz*:

Customer Class	DSM Rate	Recovery Rate	Final Rate
Schedule 4	1.4408	0.0503	1.4911
Schedule 3	1.1914	0.0375	1.2289
Schedule 2	0.9962	0.0307	1.0269
Schedule 1	0.8855	0.0204	0.9059

- (4) GRANT MECO's MOTION AND ISSUE provisional authority to implement the recovery scheme pending final resolution of the instant application; and
- (5) DECLARE all issues in connection with the lapsed period, resolved and terminated;
- (6) GRANT MECO other equitable relief.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platforms for the conduct



thereof, pursuant to Resolution No. 09, Series of 2020<sup>3</sup> and Resolution No. 01, Series of 2021<sup>4</sup> (ERC Revised Rules of Practice and Procedure):

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>16 December 2022 (Friday)</b> at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams or Zoom Application</b>	Determination of compliance with the jurisdictional requirements and expository presentation
<b>20 December 2022 (Tuesday)</b> at nine o'clock in the morning (9:00 A.M.)		Pre-trial Conference and presentation of evidence

MECO has been directed to host the virtual hearing at **MECO's Principal Office located at MECO Building, Sangi Road, Pajo, Lapu-Lapu City, Cebu**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. MECO shall also guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

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](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto: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](mailto:docket@erc.ph), copy furnish 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 and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating 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

---

<sup>3</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

<sup>4</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.



- 3) A statement of the relief desired.

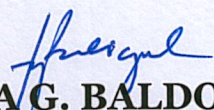
Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), their Opposition or Comment thereon **at least five (5) calendar days** prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. 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.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform **within five (5) working days** prior to the scheduled hearings.

**WITNESS**, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 14<sup>th</sup> day of November 2022 in Pasig City.

  
**FLORESINDA G. BALDO-DIGAL**  
Oversight Commissioner  
for the Legal Service