

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 (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 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

SUPPLEMENTAL APPLICATION

Re: Lapsed Period from July 1, 2022 to December 31, 2025

Applicant **MACTAN ELECTRIC COMPANY, INC. ("MECO")**, by
counsel, respectfully states:

1. MECO is a private distribution utility with legislative franchise¹ and certificate of public convenience² 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

¹ Pursuant to Republic Act No. 10890 dated July 17, 2016.

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

by its Regulatory Compliance Officer and Chief Finance Officer, Mr. Julito O. Gultiano, Jr. 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, julito.gultiano@mecomactan.com, nitoytolentino@mecomactan.com
3. On November 14, 2022, MECO filed its AWAT Application covering the lapsed period from **April 1, 2013** to **June 30, 2022** docketed as **ERC Case No. 2022-077 RC**, which has yet to be resolved by this Honorable Commission.³
4. As stated in MECO's AWAT Application, MECO has completed its 2nd Regulatory Period and due to the absence of guidelines for the reset process, it continued to implement the last approved Distribution, Supply, and Metering (DSM) rates per customer class which cannot exceed the Maximum Average Price or **MAP of PhP1.1851/kWh** pursuant to the *Decision dated April 2, 2012* in **ERC Case No. 2011-180 RC** with approved DSM charges 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

5. On October 16, 2025, the Commission approved Resolution No. 24, Series of 2025 or the "*Rationalized Rules for Setting Distribution Wheeling Rates for Privately Owned Electricity Distribution Utilities Operating Under Performance Based Regulation (RRDWR)*" under ERC Case No. 2025-011 RM setting out the new Entry Groups for PDUs and the First Regulatory Period for each Entry Group to restart the regulatory reset process.
6. On the same date, the Commission also issued Resolution No. 23, Series of 2025 or "*A Resolution Directing All Private Distribution*

³ Pursuant to the said application, the resulting AWAT from April 1, 2013 to June 30, 2022 is **PhP1.1390/kWh**.

Utilities to File Their Respective AWAT Applications for the Lapsed Period” and resolved to:

- 6.1 Adopt a confirmation and true-up process in determining the rates of the PDUs to address the Lapsed Period for each Entry Group;
- 6.2 Clarify the Lapsed Period for each PDU and identified MECO’s Lapsed Period from April 1, 2013 to December 31, 2026;
- 6.3 Direct all PDUs to proceed with the AWAT Applications separately and independently of the proceedings in the regulatory reset process under the RRDWR;
- 6.4 Direct all PDUs to file within sixty (60) calendar days from the effectivity of the said resolution, the AWAT Application from the start of the Lapsed Period until December 31, 2025. However, for the PDUs with pending AWAT applications, the updated computation shall be submitted as a supplemental application under the same case.

Since MECO has previously filed its AWAT Application in ERC Case No. 2022-077 RC covering the Lapsed Period from April 1, 2013 to June 30, 2022, this *Supplemental Application* which contains latest actual available data based on distribution revenues, kWh sales, and net income from related business covering the Lapsed Period from **July 1, 2022** until **December 31, 2025**, is filed consistent with the said resolution.

On January 14, 2026, the Commission approved ERC Resolution No. 1, Series of 2026, entitled, “*A Resolution Amending Certain Timelines Provided Under Resolution No. 23, Series of 2025 (Filing of AWAT Applications) and Resolution No. 24, Series of 2025 (Rationalized Rules of Setting Distribution Wheeling Rates)*” extending the filing of AWAT Applications from sixty (60) calendar days to one hundred twenty (120) days from the effectivity of the AWAT Resolution on November 22, 2025, **or until March 22, 2026**; hence, this *Supplemental Application* is filed on time.

- 10.5 Direct all PDUs to file a *Final* AWAT Application to fully update and complete the true-up covering the period from January 1, 2026 until the end of the Lapsed Period, within sixty (60) calendar days from the start of the First Regulatory Period.

MECO is part of the Second Entry Group with First Regulatory Period covering January 1, 2027 to December 31, 2030 (MECO's 1st RP) under the RRDWR. Thus, MECO's Final AWAT Application will cover the period January 1, 2026 until December 31, 2026 which shall be filed on or before March 1, 2027.

7. Details of MECO's historical DSM Revenue, Energy (KWH) Sales, and Regulated Business Revenue (RBR) from July 1, 2022 to December 31, 2025 are shown below:

Regulatory Years	(a) Historical DSM Revenue (Lapsed Period: July 2022 to December 2025), in Php	(b) Historical KWH Sales (Lapsed Period: July 2022 to December 2025), in KWH	Regulated Business Revenue (RBR), in Php	(g) 50% of RBR, in Php
2022 Jul 01, 2022 to Dec 31, 2022	325,964,390.90	279,269,448.00	849,922.55	424,961.28
2023	703,076,508.79	616,756,047.00	30,048,130.53	15,024,065.27
2024	821,495,934.29	716,096,675.00	45,138,497.85	22,569,248.93
2025	862,369,339.28	745,498,658.00	30,255,731.98	15,127,865.99
TOTAL	2,712,906,173.26	2,357,620,828	106,292,282.91	53,146,141.47

8. 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 **PhP1.1507/kWh**. Formula: $(a)/(b) = (c)$
9. Based on the calculation of the AWAT of **PhP1.1507/kWh (c)**, as against the ERC-approved MAP of PhP1.1851/kWh (d), the result yielded a variance of **PhP0.0344/kWh (e)** lower than the MAP, which is the approved price cap. Formula: $(d)-(c) = (e)$
10. Since the AWAT is below the price cap, there is a resulting under recovery amounting to **PhP81,102,156.48 (f)**. This amount was computed by multiplying the KWH sales (b) with the variance (e). Formula: $(b)*(e) = (f)$

Historical DSM Revenue (Lapsed Period: July 2022 to Dec 2025), in Pesos	a	2,712,906,173.26
Historical KWH Sales (Lapsed Period: July 2022 to Dec 2025), in KWH	b	2,357,620,828.00
AWAT for the Lapsed Period	c = a/b	1.1507
Approved MAP (ERC Case 2011-180 RC)	d	1.1851
Difference in Rate	e = d - c	0.0344
(Over)/Under Recovery Amount	f = e * b	81,102,156.48

11. 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 **PhP0.0076/kwh** which will be deducted from the tariff of each customer class.
12. Thus, 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	0.0146	0.0076	0.0070
Schedule 3	0.0125		0.0049
Schedule 2	0.0104		0.0028
Schedule 1	0.0083		0.0007

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

Customer Class	DSM Rate	Recovery Rate	Final Rate
Schedule 4	1.4408	0.0070	1.4478
Schedule 3	1.1914	0.0049	1.1963
Schedule 2	0.9962	0.0028	0.9990
Schedule 1	0.8855	0.0007	0.8862

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, not to mention the fluctuating fuel prices and surge in the cost of goods, commodities, and raw materials. The immediate recovery will augment MECO’s financial constraints and allow for improved operational efficiency which will ultimately benefit the general public.
17. In support of this *Supplemental Application*, MECO submits the following supporting documents covering the period July 2022 to December 2025:

Annex	Description
A	Breakdown of the Distribution, Supply and Metering Revenues and Actual Energy Sales (kWh) for the covered period (in <i>excel</i> format);
B	Detailed Computation of the (Over)/Under Recoveries or the AWAT computation (in <i>excel</i> format);
C	Detailed Computation of the Proposed Refund/Recovery Rate per Customer Class for the period July 2022 to December 2025 (in <i>excel</i> format);
D	Detailed Computation of the Proposed Refund/Recovery Period (forecast energy sales) (in <i>excel</i> format);
E	Summary of the Approved Average Rate by Rate Schedule or Customer Class with Rate Impact Simulation (in <i>excel</i> format);
F	Documents to Support Related Business Revenue
G	Judicial Affidavit of Engr. Juanito O. Tolentino, Jr., Head of MECO’s Utility Economics Department (in <i>.docx</i> , <i>.pdf</i> , and paper copy) in support of the <i>Motion for Provisional Authority</i>
H	Rate Impact Simulation

RELIEF

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

- (1) CONFIRM MECO's proposed true-up mechanism for the lapsed period from July 1, 2022 to December 31, 2025;
- (2) CONFIRM MECO's computation of resulting under recovery of **Eighty One Million One Hundred Two Thousand One Hundred Fifty-Six and 48/100 (PhP81,102,156.48)**;
- (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	0.0070	1.4478
Schedule 3	1.1914	0.0049	1.1963
Schedule 2	0.9962	0.0028	0.9990
Schedule 1	0.8855	0.0007	0.8862

- (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 from July 1, 2022 to December 31, 2025, resolved and terminated;
- (6) GRANT MECO other equitable relief.

Muntinlupa City for Pasig City, February 27, 2026.



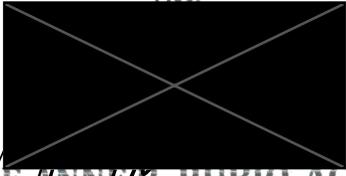
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Copy Furnished

1. Office of the Governor
Province of Cebu
2. Office of the Sangguniang Panlalawigan
Province of Cebu
3. Office of the Mayor
City of Lapu-Lapu, Cebu
4. Office of the Sangguniang Panlungsod
City of Lapu-Lapu, Cebu
5. Office of the Mayor
Municipality of Cordova, Cebu
6. Office of the Sangguniang Bayan
Municipality of Cordova, Cebu

REPUBLIC OF THE PHILIPPINES)
Lapu-Lapu City) S.S.

**VERIFICATION AND
CERTIFICATION OF NON-FORUM SHOPPING**

I, **GILBERT A. PAGOBO**, Filipino, of legal age, with office address at MECO Building, Sangi Road, Lapu-Lapu City, hereby state under oath that:

1. I am the authorized representative of **MACTAN ELECTRIC COMPANY, INC. (MECO)**, the applicant in ERC Case No. 2022-077 RC, entitled, *"In the Matter of the Application for (1) Confirmation of True-Up Calculation 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 Recovery Scheme for the Lapsed Regulatory Years, Mactan Electric Company, Inc. (MECO), Applicant."* I attest that I have the requisite authority to file a Supplemental Application in the said case.
2. I caused the preparation of the said Supplemental Application and further attest that I have read and understood its contents and that the allegations contained therein are true and correct based on my personal knowledge and on authentic records.
3. The Supplemental Application is filed as part of MECO's PBR compliance and is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation.
4. The factual allegations therein have evidentiary support or will likewise have evidentiary support after a reasonable opportunity for discovery.
5. I affirm the truthfulness of the statements contained in the Supplemental Application and its supporting documents.
6. Other than ERC Case No. 2022-077 RC, I have not commenced any other action or filed any claim involving the same facts in any court, tribunal, or quasi-judicial agency, and to the best of my knowledge, no such other action or claim is pending. If I should hereafter learn that the same or similar action or claim has been filed or is pending, I shall report such fact within five (5) days from knowledge thereof to the Energy Regulatory Commission.

IN WITNESS WHEREOF, I affix my signature this March 10, 2026, in Lapu-Lapu City, before a Notary Public, avowing to the whole truth of the contents of this document, under the penalty of law.



GILBERT A. PAGOBO
Affiant

SUBSCRIBED AND SWORN TO BEFORE ME, a Notary Public for and in the City of Lapu-lapu City, this March 10, 2026, by the affiant, who presented to me his Philippine National ID No. 2061-3697-3910-5937 bearing his name and photograph, as competent evidence of his identity.

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Page No.: 52
Book No.: 19
Series of 2026.



JANICE P. MONTEROLA
Notary Public for Lapu-lapu City
Notarial Commission No. 780-L
Valid until December 31, 2026
114 Osmeña Sr. St., Gun-ob, Lapu-lapu City
Roll of Attorneys No. 58922 | 04.15.11
IBP Lifetime Member No. 012565
PTR No. 1454987 A | 01.07.2026