

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE  
APPLICATION TO CONFIRM  
THE 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); SENIOR CITIZEN  
DISCOUNT AND SUBSIDY  
OVER/UNDER RECOVERY  
(SRDSOUR) PASS-THROUGH  
CHARGES FROM JANUARY  
2017 To DECEMBER 2019,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2020-018 CF**

**MANILA ELECTRIC  
COMPANY (MERALCO),**  
Applicant.

**Promulgated:**  
October 5, 2020

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**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 01 September 2020, the Manila Electric Company (MERALCO) filed an *Application* dated 25 August

2020, seeking the Commission's confirmation and approval of its calculations of 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); senior citizen discount and subsidy over/under recovery (SRDSOUR) pass-through charges from January 2017 to December 2019, with prayer for provisional authority.

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

1. MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address indicated herein.
2. MERALCO has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/ municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.
3. Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA"), allows Distribution Utilities (DUs), such as MERALCO, to recover just and reasonable costs to enable them to operate viably.
4. Pursuant to Article 5, Section 1 of ERC Resolution No. 21, Series of 2010, Distribution Utilities (DUS) in Luzon, like MERALCO, must file their respective consolidated applications to confirm their over/ under recoveries of pass-through charges for the period covering January 2017 to December 2019 on or before 31 March 2020. However, due to the restrictions brought about by the COVID-19 pandemic, the Honorable Commission advised that the deadline for the filing of the applications was extended to 31 August 2020. Thus, this Application is timely filed.

5. This Application includes over/under recoveries of the following pass-through costs: (a) Generation Rate Over/Under Recovery (GOUR); (b) Transmission Rate Over/Under Recovery (TOUR); (c) System Loss Rate Over/Under Recovery (SLOUR); (d) Lifeline Subsidy Over/Under Recovery (LSOUR); and (e) Senior Citizen Discounts and Subsidy Over/Under Recovery (SrDSOUR) for the period from January 2017 to December 2019.

**Generation Rate Under Recovery (GUR)**

6. Generation Charge over/under recovery occurs due to the lag in the recovery of generation costs from consumers. Basically, the rate used to compute for the generation charge in a current billing month is based on the generation cost incurred during the previous month, which is the supply month. Given the lag in recovery and the monthly change in generation costs, over/under recoveries are expected as the generation cost for the current month is compared with the recoveries of the same month.
7. Using the formula provided in Section 2, Article 4 of Resolution No. 16, Series of 2009, MERALCO determined that it has net under recoveries in the Generation Charge amounting to Two Billion Three Hundred Eighty-Two Million Five Hundred One Thousand Eight Hundred Ninety-One and 88/100 Pesos (PhP2,382,501,891.88) for the period from January 2017 until December 2019. The computation details of the Generation Rate Under Recovery (GUR) are shown in ANNEX "B" and made an integral part hereof.

**Transmission Rate Over Recovery (TOR)**

8. The over/under recovery in Transmission Charge occurs because of the lag in the pass-on of transmission costs. When the actual transmission cost of the current month is compared with the transmission recoveries of the current month, which rates are computed based on previous month's cost, either an over or under recovery will result.
9. Using the formula provided in Section 3, Article 4 of Resolution No. 16, Series of 2009, MERALCO determined that it has net over recoveries in the Transmission Charge in the amount of PhP440,578,703.68 for the period from

January 2017 until December 2019. The computation details of the Transmission Over Recovery (TOR) are shown in ANNEX "C" and made an integral part hereof.

**System Loss Rate Over Recovery (SLOR)**

10. System Loss over/under recovery mainly occurs due to the difference between the actual average cost of system loss for a given year and the sum of the actual monthly system loss billings for that same year. As MERALCO's system loss percentage (%) is already below the cap set by this Honorable Commission, the basis of its allowable cost of system loss is its actual system loss for a given year. Since the monthly system loss charge rates were computed using the previous month's average generation and transmission costs, and the latest 12 month moving system loss percentage (%), any difference from the actual annual data will result either in an over or under recovery in system loss.
11. Applying the formula contained in Section 4, Article 4 of Resolution No. 21, Series of 2010, MERALCO determined that it has a System Loss net over recovery amount of PhP971,653,932.66 covering the period from January 2017 until December 2019. The computation details of the System Loss Over Recovery (SLOR) are shown in ANNEX "D" and made an integral part hereof.

**Lifeline Subsidy Over Recovery (LSOR)**

12. MERALCO incurred a net over recovery in the Lifeline Subsidy rate, given the lag in the billing of lifeline rate subsidies to non-lifeline consumers. The lifeline discount of the previous month is used to compute for the lifeline subsidy charge in the current billing month. Consequently, when the actual lifeline discount amount for the current month is compared with the lifeline subsidy amount for the same month, either an over or under recovery will result.
13. Applying the formula specified in Section 5, Article 4 of Resolution 16, Series of 2009, MERALCO determined a Lifeline Subsidy net over recovery amount of PhP31,898,952.32 covering the period January 2017 to December 2019. The computation details of the Lifeline

Subsidy Over Recovery (LSOR) are shown in ANNEX "E" and made an integral part hereof.

**Senior Citizen Discounts and Subsidy Over Recovery (SrDSOR)**

14. Relative to the Senior Citizen Subsidy and Discount, MERALCO incurred a net over recovery thereof due to the lag in the billing of senior citizen subsidy to non-senior citizen consumers. The senior citizen discount for the previous month is used to compute for the senior citizen subsidy charge in the current billing month. Consequently, when the actual senior citizen discount amount of the current month is compared with the senior citizen subsidy amount for the same month, either an over or under recovery will result.
15. Applying the formula provided under Article 7 of Resolution No. 23, Series of 2010, MERALCO determined a Senior Citizen Subsidy net over recovery amount of PhP3,139,446.19 covering the period from January 2017 to December 2019. The computation details of the Senior Citizen Over Recovery (SrDSOR) are shown in ANNEX "F" and made an integral part hereof.

**Consolidated Over/Under Recovery of Pass-Through Charges**

16. The refund/ collection of the over/under recoveries shall be made to both captive and contestable customers in accordance with ERC Resolution No. 16, Series of 2012.<sup>1</sup> Insofar as contestable customers are concerned, any generation over/under recoveries for the billing periods when they were still captive customers, will be refunded to and/or collected from them. These over/under recoveries shall be part of the DU's bill, as a separate line item, through the Retail Electricity Suppliers currently serving the contestable customers. Considering that the eligible customers opted for contestability on different dates starting July 2013, such is taken into consideration in the determination of the refundable generation cost to these customers.

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<sup>1</sup> Entitled "A Resolution Adopting the Transitory Rules for the Implementation of Open Access and Retail Competition".

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17. Applicant proposes that the abovementioned GUR, TOR, SLOR, LSOR and SrDSOR be refunded to/collected from the customers for a period of three (3) months. This is consistent with previous decisions of the Honorable Commission.
18. The computed amounts of the over/under recoveries and refund/ recovery rates per bill component are summarized below:

<b>Bill Component</b>	<b>Amount of (Over)/Under Recovery</b>	<b>(Refund)/ Recovery Rate (PhP/kWh)</b>	<b>Amortization Period</b>
GOUR	2,382,501,891.88	0.3131	3 months
TOUR	(440,578,703.68)	(0.0425)*	3 months
SLOUR	(971,653,932.66)	(0.0937)*	3 months
LSOUR	(31,898,952.32)	(0.0032)	3 months
SrDSOUR	(3,139,446.19)	(0.0003)	3 months

\*Average

19. Attached hereto as ANNEX "G" is the computation on how the amounts were translated into rates per kilowatt-hour.

**ALLEGATION IN SUPPORT OF PRAYER FOR PROVISIONAL AUTHORITY**

20. It is urgent that a provisional authority be immediately issued upon filing and pending hearing of the instant Application. MERALCO stresses that the cost covered by this Application are all pass-through costs, and hence, it should neither earn any income nor incur any losses from the imposition of the same. Given the foregoing, it is incumbent upon MERALCO to recover/ refund whatever amounts it billed for these valid pass-through costs.
21. In support of the instant Application and the prayer for provisional authority, attached hereto as ANNEX "H" and made integral parts hereof is the Judicial Affidavit of **MS. ARLYN I. DELA CRUZ**, Team Lead of MERALCO's Purchased Power and Other Pass-through Tariff-Tariff Management, Regulatory Management Office (RMO).

**PRAYER**

WHEREFORE, it is respectfully prayed to this Honorable Commission that, the instant Application be APPROVED authorizing MERALCO to refund/recover to/from its customers, as applicable, the following amounts which represent the over/under-recoveries for the generation, transmission, system loss, lifeline subsidy, senior citizen discount and subsidy, as pass-through charges with the corresponding indicative rate/kWh in the table below and the proposed refund/recovery period.

<b>Bill Component</b>	<b>Amount of (Over)/Under Recovery</b>	<b>(Refund)/Recovery Rate (PhP/kWh)</b>	<b>Amortization Period</b>
GOUR	2,382,501,891.88	0.3131	3 months
TOUR	(440,578,703.68)	(0.0425)*	3 months
SLOUR	(971,653,932.66)	(0.0937)*	3 months
LSOUR	(31,898,952.32)	(0.0032)	3 months
SrDSOUR	(3,139,446.19)	(0.0003)	3 months

\*Average

Pending hearing, MERALCO prays that a provisional authority be issued authorizing MERALCO to collect/ refund the over/under-recoveries.

MERALCO prays for such other relief just and equitable under the premises.

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 **21 January 2021 (Thursday) at two o'clock in the afternoon (2:00 P.M.)**, through a virtual hearing using the **Microsoft Teams Application** as the online platform for the conduct thereof pursuant to Resolution No. 07, Series of 2020<sup>2</sup> dated 23 July 2020.

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<sup>2</sup> A Resolution for the Transitory Implementation of Legal e-Processes Pending the Adoption of the Interim Guidelines Governing Electronic Application, Filings, and Virtual Hearings Before the Energy Regulatory Commission.

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Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com). 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, all 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 [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com), 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 2006 ERC 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
- 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 [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com), 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 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:



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- 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 such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to [records@erc.gov.ph](mailto:records@erc.gov.ph) and [records.erc.gov.ph@gmail.com](mailto:records.erc.gov.ph@gmail.com), copy furnish the Legal Service through [legal.erc.gov.ph@gmail.com](mailto:legal.erc.gov.ph@gmail.com). Nonetheless, any person may also access the *Application* as posted by the Commission in its official website at [www.erc.gov.ph](http://www.erc.gov.ph).

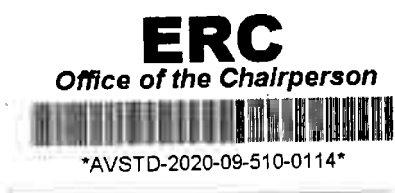
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Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, through [legal.virtualhearings.erc.gov.ph@gmail.com](mailto:legal.virtualhearings.erc.gov.ph@gmail.com), with their respective 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 hearing.

**WITNESS**, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 28<sup>th</sup> day of September 2020 in Pasig City.



  
**AGNES VST DEVANADERA**  
Chairperson and CEO

  
LS: RSPV/ARG/MCCG