

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 TRUEUP MECHANISMS FOR THE PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2023, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009 AS AMENDED BY RESOLUTION NO. 21, SERIES OF 2010 AND FURTHER AMENDED BY ERC RESOLUTION NO. 14, SERIES OF 2022 AND APPROVAL OF CALCULATIONS ON THE RECOVERY OF PASS-THROUGH TAXES (REAL PROPERTY, LOCAL FRANCHISE AND BUSINESS TAXES) PERIOD JANUARY 1, 2021 TO DECEMBER 31, 2023, PURSUANT TO ERC RESOLUTION NO. 02, SERIES OF 2021

ERC CASE NO. 2024-034 CF

MORE ELECTRIC AND POWER CORPORATION,

Applicant.

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Promulgated:
October 15, 2024

ORDER

On 14 August 2024, MORE Electric and Power Corporation (MORE) filed an *Application* dated 10 June 2024, seeking the Commission's confirmation and approval of calculations of over or

under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 01 January 2021 to 31 December 2023, pursuant to Resolution No. 16, Series of 2009, as amended by Resolution No. 21, Series of 2010 and further amended by Resolution No. 14, Series of 2022, and approval of calculations on the recovery of pass-through taxes (real property, local franchise and business taxes) for the period 01 January 2021 to 31 December 2023, pursuant to Resolution No. 02, Series of 2021.

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

THE APPLICANT

1. Applicant is a private distribution utility duly organized and existing under and by virtue of the laws of the Republic of the Philippines with office address at GST Corporate Center, Quezon Street, Iloilo City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
2. Applicant has been granted a franchise to establish, operate and maintain, for commercial purposes and in the public interest, a distribution system for the conveyance of electric power to the end users in the City of Iloilo by virtue of Republic Act 11212, signed into law on February 14, 2019 and took effect on March 6, 2019.
3. On 29 February 2020, Applicant commenced operations as the duly franchised distribution utility in Iloilo City. On 05 March 2020, the Honorable Commission issued an Order in ERC Case No. 2018-019MC granting a Provisional Certificate of Public Convenience and Necessity/Authority to Operate to Applicant for the operation of the distribution system in Iloilo City. In a Decision dated 05 August 2022 in the same case, the Honorable Commission granted a final Certificate of Public Convenience and Necessity to MORE Power.

LEGAL BASIS OF THE APPLICATION

4. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 and further amended by ERC Resolution No. 14, Series of 2022 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, Senior Citizen Rate Recovery as the case may be.

5. ERC Resolution No. 02, Series of 2021 establishes the rules on the recovery of pass-through taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities approved by the Honorable Commission, with the objective of providing guidance to the Distribution Utilities (DUs) through an orderly procedure for recovery of Real Property, Local Franchise and Business Taxes, to allow the full recovery of all just and reasonable components of the taxes levied by Local Government Units (LGUs) against the DUs to enable the latter to operate viably, to ensure transparency and efficiency in the implementation of appropriate recovery of tax charges, and to put in place a fair and transparent process for the confirmation of the cost adjustments implemented by the DUs and the true-up of the Real Property, Local Franchise and Business Taxes pass-through charges as approved by the Commission.

6. Section 2, Article 6, as amended by Resolution No. 16, Series of 2009 and Resolution No. 21, Series of 2010 and further amended by Resolution No. 14, Series of 2022 and Section 5.1, Article 5 of Resolution 2, Series of 2021 provides that DUs must file their respective Consolidated Applications for Confirmation and Approval of Over or Under Recoveries in the Implementation of Automatic Cost Adjustments and True-Up Mechanisms (Compliance Filing), in a timely manner, to wit:

ARTICLE 6
Section 2

Distribution Utilities	Period of Filing	Covered Adjustments
Luzon DUs	March 31, 2023	January 2020 - December 2022
Visayas DUs	March 31, 2024	January 2021 - December 2023
Mindanao DUs	March 31, 2025	January 2022 - December 2024

On the other hand, Section 5.1, Article 5 of Resolution 21, Series of 2010 provides deadline of Application, to wit:

ARTICLE 5
Section 5.1

Distribution Utilities	Period of Filing	Covered Adjustments
Luzon DUs	March 31, 2023	January 2021 - December 2022
Visayas DUs	March 31, 2024	January 2021 - December 2023
Mindanao DUs	March 31, 2025	January 2021 - December 2024

Subsequently, the DUs shall file their consolidated applications every three (3) years, following the sequence in the above filing period.”

7. Thus, Applicant MORE Power, as a distribution utility (DU) in the Visayas, is required to file its consolidated applications by March 31, 2024, for Adjustments implemented from January 2021 to December 2023.
8. In a letter dated 22 March 2024, Applicant MORE Power requested the Honorable Commission for an extension up to 30 May 2024 within which to file its Application for Confirmation and approval of Automatic Cost Adjustments and True-Up Mechanisms. Hence, the timely filing of the instant application, covering the period from 01 January 2021 to 31 December 2023.

OVER OR UNDER RECOVERIES OF ALLOWABLE COSTS

9. Applying the formulas provided under Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and Resolution 23, Series of 2010, further amended by Resolution 14, Series of 2022 and Resolution No. 02, series of 2021, MORE Power 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 01 January 2021 to 31 December 2023;
10. The results of its calculations are presented hereunder, as follows:

	Allowable Cost (PhP)	Actual Revenue (PhP)	(Over)/Under Recovery (PhP)
Generation Rate (GR)	9,492,014,411.78	9,388,465,993.96	103,548,417.82
Transmission Rate (TR)	1,270,873,253.31	1,228,972,449.40	41,900,803.91
System Loss Rate (SLR)	811,128,373.94	831,797,537.02	(20,669,163.08)
Lifeline Rate (LR)	107,910,582.03	108,117,210.68	(206,628.65)
Senior Citizen Discount and Subsidy	1,386,720.27	1,330,770.91	55,949.36
Real Property Tax	40,397,246.63	33,670,215.00	6,727,031.63
Franchise Tax	95,725,297.28	111,673,021.00	(15,947,723.72)
Net Results			115,408,687.27

Generation Rate Over/Under Recovery

11. The over/under recovery in the Generation Rate mainly arises from the timing difference in the recovery of generation costs from customers. There is one-month lag in the calculation of the relevant rate for a particular billing period. The rate computed for the current month is based on the generation cost from the previous month.

Transmission Rate Over/Under Recovery

12. The over/under recovery in the Transmission Rate mainly arises from the timing difference in the recovery of transmission costs from customers. The rate computed for the current month is based on the transmission cost from the previous month.

System Loss Rate Over/Under Recovery

13. The System Loss over/under recovery is 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 in the same year. 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, the difference from the actual data result in either an over or under recovery in system loss.

Lifeline Discount Over/Under Recovery

14. The over/under recovery in the Lifeline Discount mainly arises when the lifeline discount granted for current month is lower or higher than the lifeline subsidy billed to non-lifeline consumers for the month.

Senior Citizen Over/Under Recovery

15. The over/under recovery in the Senior Citizen Subsidy mainly arises when the senior discount granted for current month is lower or higher than the senior subsidy billed to subsidizing consumers.

Real Property Tax Over/Under Recovery

16. The over/under recovery in the Real Property Tax (RPT) on machineries paid is due to the difference in the paid RPT for the period and the RPT revenues for the same period in which rates are computed using the forecasted sales.

Local Franchise Tax Over/Under Recovery

17. The over/under recovery in the Local Franchise Tax (LFT) occurs because of the difference in the paid LFT for the period, amount of which was determined using the previous year's revenues and the LFT revenues for the same period, which are based on the billed LFT using the rate applied to revenue for the current period.

PROPOSED REFUND OR RECOVERY OF OVER/UNDER RECOVERIES

18. Applicant MORE Power proposes to recover the amount of ONE HUNDRED FIFTEEN MILLION FOUR HUNDRED EIGHT THOUSAND SIX HUNDRED EIGHTY-SEVEN AND 27/100 PESOS (PHP 115,408,687.27). The amount of recovery will be distributed to 36-month (refund)/recovery period for Generation Rate (GR), Transmission Rate (TR), System Loss Rate (SLR), Real Property Tax Rate (RPTR) and Franchise Tax Rate while Senior Citizen Charge and Subsidy Rate (ScSR), Lifeline Charge and Subsidy Rate (LSR), will be distributed in 3 months and 12 months respectively, as shown in the proposed scheme to implement the above over/under recoveries below:

	(Over)/Under Recovery (Php)	Forecasted SALES 2024-2026 (KWh)	Recovery / (Refund) Rate, P/kWh	RECOVERY / REFUND PERIOD (months)
Generation Rate (GR)	103,548,417.82	2,044,734,422.65	0.0506	36
Transmission Rate (TR)	41,900,803.91	2,329,223,920.65	0.0180	36
System Loss Rate (SLR)	(20,669,163.08)	2,329,223,920.65	(0.0089)	36
Lifeline Charge & Subsidy	(206,628.65)	732,428,834.46	(0.0003)	12
Senior Citizen Charge & Subsidy	55,949.36	183,070,399.45	0.0003	3
Real Property Tax Rate Charge	6,727,031.63	2,329,223,920.65	0.0029	36
Franchise Tax Rate Charge	(15,947,723.72)	2,329,223,920.65	(0.0068)	36
TOTAL	115,408,687.27			

SUPPORTING DATA AND DOCUMENTS

19. In support of the foregoing calculations, MORE Power is submitting the following data and documents covering the period 01 January 2021 to 31 December 2023, attached hereto and made integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENTS
Annex A	Fully accomplished Supplier and Transmission Data Sheet Per Year (2 files)
Annex B	Fully accomplished Statistical Data Sheet Per Year (2 files)
Annex C	URR Addendum/DSL Data Per Year (2 files)
Annex D	Actual Implemented Rates Sheet Per Year (2 files)
Annex E	Lifeline Discount Sheet Per Year (2 files)
Annex F	Senior Citizen Discount Sheet Per Year (2 files)
Annex G	O/U Recoveries Computation (4 files)
Annex H	Generation Rate Calculation (3 folders)
Annex I	Transmission Rate Calculation (3 folders)
Annex J	System Loss Rate Calculation (3 folders)
Annex K	Lifeline Subsidy Rate Calculation (3 folders)
Annex L	Senior Citizens Subsidy Rate Calculation (3 folders)
Annex M	Real Property Tax Rate Charge (3 folders)
Annex N	Franchise Tax Rate Charge (1 folder)
Annex O	Proposed Refund/Collection Scheme
SUPPLIER AND TRANSMISSION DATA	
Annex P	Power Bills from Suppliers (Power Bill and Credit Memo, 3 folders)
STATISTICAL DATA	
Annex Q	Summary of Pilferage Cost Recoveries (3 files)
ACTUAL IMPLEMENTED RATES DATA	
Annex R	Consumer Bills per Customer Class (Non-Lifeline, 3 folders)
Annex S	Consumer Bills per Lifeline Bracket (Lifeline, 3 folders)
Annex T	Senior Citizen Consumer Bills (3 folders)
Annex U	Consumer Bills for Franchise Tax (3 folders)
Annex V	Consumer Bills for Real Property Tax (3 folders)
OTHER DOCUMENTS	
Annex W	Submitted Monthly URR (3 folders)
Annex X	Submitted Monthly URR Addendum (2 folders)
Annex Y	Single Line Diagrams (3 files)
Annex Z	Official Receipts from Suppliers (3 folders)
Annex AA	Secretary's Certificate from the Corporate Secretary of MORE Power authorizing the filing of the instant Application

20. Additionally, MORE Power is likewise submitting herewith the required electronic files of the Application and supporting data and documents;
21. Further, in compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, MORE Power is submitting the following documents to form integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENT
Annexes BB and series	Proof of furnishing of copies of the Application to the Office of the Governor and Provincial Council of Iloilo Province and the Office of the Mayor and Sangguniang Panlungsod of Iloilo City
Annexes CC and series	Proof of publication of the Application in a newspaper of general within the franchise area of MORE Power with Affidavit of Publication
Annex DD	Letter of MORE Power to the Honorable Commission dated 22 March 2024, requesting for an extension up to 30 May 2024 within which to file its Application for Confirmation and approval of Automatic Cost Adjustments and True-Up Mechanisms.

22. Considering the foregoing, it is respectfully prayed that MORE Power's calculations of over or under recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms be confirmed and approved, and MORE Power be allowed to refund the over recoveries or collect the under recoveries, as the case may be, to or from its customers in accordance with the scheme proposed herein.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that this Honorable Commission, after due notice and hearing, issue a Decision:

1. CONFIRMING and APPROVING Applicant MORE Power's calculations of over or under recoveries in the implementation of certain automatic cost adjustments and true-up mechanisms covering the period 01 January 2021 to 31 December 2023, made pursuant to ERC Resolution 16, Series of 2009 as amended by Resolution 21, Series of 2010 and ERC Resolution 23, Series of 2011, further amended by ERC Resolution 14, series of 2022 as detailed in this Application,
2. Allowing Applicant MORE Power to refund the over recoveries or collect the under recoveries, as the case may be, to or from its customers as proposed herein.

Applicant prays for all other reliefs, just and equitable under the premises.

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 **26 November 2024 (Tuesday), at ten o'clock in the morning (10:00 A.M.) via MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series

of 2020,¹ and Resolution No. 01, Series of 2021 (ERC Revised Rules of Practice and Procedure).²

Accordingly, MORE is hereby directed to host the virtual hearings at **MORE's principal office located at GST Corporate Center, Quezon Street, Iloilo City**, as the designated venue for the conduct thereof and ensure that the same is open to the public. Moreover, MORE shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

RELATIVE THERETO, MORE 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, at least 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, Mayor of the City of Iloilo and the Local Government Unit (LGU) legislative bodies within MORE's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within MORE's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearing thereon;
- 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 and attend the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment

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

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

of information, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the virtual hearing, MORE must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching the following methodically arranged and duly marked documents:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of an 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 the actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayor and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by MORE 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, MORE 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 Offices of the Governor, Mayor and Local legislative bodies, and to submit proof of posting thereof.

Applicant MORE and all interested parties are also required to submit via e-mail at docket@erc.ph, and 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 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.

Applicant MORE 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 virtual hearing and Pre-Trial Conference pursuant to the preceding paragraph.

Failure of MORE to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing.

Applicant MORE 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*. Relevant information and pertinent details substantiating the reasons and justifications for the *Application* must be cited in support thereof.

Applicant MORE is hereby directed to file a copy of its Expository Presentation via e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior

to the scheduled virtual hearing. MORE 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.

Applicant MORE is further directed to submit, through personal service, registered mail, or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-Trial Brief, and Judicial Affidavits of witnesses, **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.

Finally, Applicant MORE, including its authorized representatives and witnesses, is hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, their 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, 15 October 2024.

FOR AND BY AUTHORITY
OF THE COMMISSION:


KRISHA MARIE T. BUELA
Director III, Legal Service


LS: CNR/MVM

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