



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

RULES GOVERNING THE CONFIRMATION PROCESS OF THE AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS APPROVED BY THE ENERGY REGULATORY COMMISSION

Pursuant to Section 43 (f), and (t) of Republic Act No. 9136 or the Act, the Energy Regulatory Commission (ERC) hereby adopts and promulgates these Rules to govern the confirmation process of the automatic cost adjustment and true-up mechanisms approved by the ERC:

Section 1. Objectives. - These Rules seek to put in place a fair and transparent process for the confirmation of the automatic cost adjustments implemented by the Distribution Utilities (DUs) and the true-up of other pass-through charges as approved by the ERC.

Section 2. Scope. - These Rules shall apply to the confirmation of the Automatic Generation Rate and System Loss Adjustment Mechanism (AGRA), Transmission Rate Adjustment Mechanism (TRAM), Lifeline Rate Recovery Mechanism, Inter-class Cross Subsidy Mechanism, Local Franchise Tax Recovery Mechanism, Business Tax Recovery Mechanism, VAT Recovery Mechanism, Recovery Mechanism of Under Recoveries in the Reinstatement of Prompt Payment Discounts, Recovery Mechanism in the Implementation of System Loss Rate by DUs, and such other mechanisms that the ERC may adopt.

Section 3. Filing. – For past adjustments, the DUs shall file their respective consolidated applications on or before April 30, 2009 for confirmation and approval of the calculations of over or under recoveries from adjustments implemented up to the billing month of December 2008.

Thereafter, the DUs shall file their respective consolidated applications within the period as prescribed hereunder:

Distribution Utilities	Period of Filing	Covered Adjustments
Luzon DUs	April 30, 2010	Jan. 1, 2009 – Dec. 31, 2009
Visayas DUs	April 30, 2011	Jan. 1, 2009 – Dec. 31, 2010
Mindanao DUs	April 30, 2012	Jan. 1, 2009 – Dec. 31, 2011

Thereafter, the DUs shall file their respective consolidated applications every three (3) years following the sequence of period of filing prescribed above.

Section 4. Form of Application and Supporting Documents – The applications to be filed herein, shall adopt the template to be prescribed by the ERC and supported by pertinent data as required under the respective Guidelines referred to in Section 2 hereof as described in Annex “A” hereto attached.

Section 5. Referral to External Auditors. – At its discretion, the ERC may refer the application to an accredited external auditor for audit. The cost of hiring such accredited auditor as stipulated in the contract for the services of such accredited auditor approved by the ERC shall be borne by the concerned DU. Such cost shall be treated, upon proof of actual payment thereof as a recoverable expense and shall be considered in the calculation of over or under recoveries for the test period covered.

Section 6. Applicability of Rules Governing the Automatic Adjustment and True-Up Mechanisms. - The specific rules for the calculation of over and under recoveries and such other pertinent guidelines as may be provided in the rules governing the automatic adjustment and true-up mechanisms under consideration shall continue to be in force and shall be used in the verification of any over and under recoveries of the DU and the determination and implementation of the rates for recovery or refund of such over or under recoveries as may be ordered by the ERC.

Section 7. Applicability of the ERC Rules of Practice and Procedure. - The ERC Rules of Practice and Procedure shall apply suppletorily to the verification process outlined in these Rules insofar as they are not inconsistent herewith.

Section 8. Exception Clause. – Where good cause appears, the ERC may permit an exception from any provisions of these Rules, if the exception is found to be in public interest and is not contrary to law.

Section 9. Separability Clause - If for any reason, any part or section of these Rules is declared unconstitutional or invalid, the other parts or sections hereof which are not affected thereby shall continue to be in full force and effect.

Section 10. Repealing Clause – All previous Commission issuances not consistent with these Rules are hereby accordingly repealed or deemed modified.

Section 11. Effectivity - These Rules shall take effect on the fifteenth (15th) day following its publication in a newspaper of general circulation.

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