

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



**IN THE MATTER OF THE  
APPLICATION FOR OVER OR  
UNDER RECOVERIES IN THE  
IMPLEMENTATION OF  
AUTOMATIC ADJUSTMENT  
AND TRUE UP MECHANISMS  
DURING THE PERIOD 2018-  
2020 PURSUANT TO ERC  
RESOLUTION No. 16, SERIES  
OF 2009 AS AMENDED BY  
RESOLUTION Nos. 21, AND 23  
SERIES OF 2010**

**ERC CASE NO. 2021-010 CF**

**DON ORESTES ELECTRIC  
COOPERATIVE, INC.  
(DORELCO),**

***Applicant.***

X ----- X

**Promulgated:**  
July 12, 2021

**NOTICE OF VIRTUAL HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 08 April 2021, Don Orestes Electric Cooperative, Inc. (DORELCO) filed an *Application* dated 16 March 2021, seeking the Commission's approval of its calculations for the approval of over or under-recoveries in the implementation of automatic cost adjustment and true-up mechanisms for period 2018-2020, pursuant to ERC Resolution No. 16, Series of 2009 as amended by Resolution Nos. 21 and 23, Series of 2010.

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

**I. THE APPLICANT**

1. The applicant, DORELCO is a non-stock, non-profit Electric Cooperative duly organized and existing under and by virtue of the Presidential Decree 269, as amended, with

capacity to sue and be sued, with principal office address at DORELCO Compound, Brgy. San Roque, Tolosa, Leyte, Philippines, represented in this instance by its General Manager, ALLAN L. LANIBA, MPA, MM., who was authorized to file, execute verification and certification relative to this Application per Board Resolution No. 2021-015 (Annex A) with corresponding Secretary Certificate (Annex B).

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services to the 13 municipalities of Leyte, namely: Burauen, Dagami, Lapaz, Abuyog, Javier, Mahaplag, Mayorga, La Paz, Tabon-tabon, Julita, MacArthur, Tolosa, and Tanauan. A copy of Applicant DORELCO's Certificate of Franchise is hereto attached as "ANNEX C".

## **II. THE ANTECEDENT FACTS**

3. Prior to this filing, herein Applicant had undergone computation and reportorial submission to Energy Regulatory Commission on its over or under recoveries incurred in the implementation of automatic cost adjustments and true-up mechanisms on pass through costs of DORELCO following the formulas prescribed under ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, and 23, Series of 2010, such as : automatic generation rate (GR) and system loss adjustment mechanism; transmission rate (TR) adjustment mechanism; Lifeline rate recovery mechanism; and senior citizen subsidy recovery mechanism.
4. In fact, herein Applicant had just completed its implementation of its approved 2004-2011 Over/Under Recoveries on September 2020 billing period. However, Applicant DORELCO is still awaiting for the ERC decision of its pending application for Over/Under recoveries 2012-2014 docketed as ERC Case no. 2015-003 CF, and application for Over/Under recoveries 2015-2017 docketed as ERC Case no. 2018-016 CF.

## **III. LEGAL BASES FOR THE APPLICATION**

5. Under Section 43 (t) of the Republic Act No. 9136, the Energy Regulatory Commission (ERC) is mandated to promulgate rules and regulations and perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernizing of the electric power industry.
6. On July 13, 2009, pursuant to Section 43 (f) and (t) of the Republic Act No. 9136 or the Act, Rule 7 of its Implementing Rules and Regulations (IRR) and Section 10 of the Republic Act No. 7832, the ERC had resolved to approve and adopt

the so called “**Rules Governing the Automatic Cost Adjustment and True –up Mechanisms and Corresponding Confirmation Process for Distribution Utilities**”, by virtue of **ERC Resolution No. 16, Series of 2009**.

7. However, the aforementioned rules promulgated under Resolution no. 16, series of 2009, failed to address the mismatch between meter reading periods at the wholesale and retail levels due to unequal number of billing days, which results to misalignment of kWh sales and purchase power. Recognizing the need to address and resolve the said misalignment of kWh sales and purchase power which causes spikes and dips in the computed monthly system loss and adversely affects the actual system loss of the DUs during certain billing months; The ERC had passed a **Resolution No. 21, series of 2010**, dated On October 18, 2010, which amended Section 4 of Article 4 and Section 1 of the Article 5 of the “Rules Governing the Automatic Cost Adjustment and True –up Mechanisms and Corresponding Confirmation Process for Distribution Utilities”.
8. On the other hand, ERC Resolution 23, Series of 2010 adopts the rules implementing the discounts to qualified senior citizen end-users and subsidy from subsidizing end-users on electricity consumption.
9. Hence, this Application is pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, and 23, Series of 2010.

**IV. THE RESULTING COMPUTED OVER OR UNDER RECOVERIES INCURRED IN THE IMPLEMENTATION OF AUTOMATIC ADJUSTMENT AND TRUE UP MECHANISMS FOR PERIOD 2018 TO 2020**

10. In the application of formulas prescribed under ERC Resolution 16, Series of 2009, as amended by ERC Resolution 21, and 23, Series of 2010, Applicant’s pass through cost vis-a-vis the actual collections, resulted to under recoveries in the items of: Generation Rate (GR), Lifeline Subsidy, System Loss Rate (SLR), and Senior Citizen Subsidy. On the other hand, over-recovery was incurred in the item of Transmission Rate (TR). The following table reflects the summary of over/under recoveries for years 2018 to 2020:

|                       | YEAR         | PASS THROUGH COST       | ACTUAL COLLECTIONS      | DIFFERENCE (OVER) / UNDER |
|-----------------------|--------------|-------------------------|-------------------------|---------------------------|
| Genera-tion Rate (GR) | 2018         | 466,843,590.61          | 460,874,688.65          | 5,968,901.96              |
|                       | 2019         | 376,865,498.41          | 377,160,720.83          | (295,222.42)              |
|                       | 2020         | 336,174,262.70          | 335,787,052.61          | 387,210.09                |
|                       | <b>TOTAL</b> | <b>1,179,883,351.72</b> | <b>1,173,822,462.08</b> | <b>6,060,889.64</b>       |

**ERC Case No. 2021-010 CF**  
**NOTICE OF VIRTUAL HEARING/21 June 2021**  
**Page 4 of 8**

|   |              |                       |                        |                        |
|---|--------------|-----------------------|------------------------|------------------------|
| Transmission Rate (TR)  | 2018         | 78,833,720.17         | 83,732,927.51          | (4,899,207.34)         |
|   | 2019         | 75,051,704.55         | 77,264,185.67          | (2,212,481.11)         |
|   | 2020         | 87,855,272.83         | 92,180,727.20          | (4,325,454.37)         |
|   | <b>TOTAL</b> | <b>241,740,697.55</b> | <b>253,177,840.37</b>  | <b>(11,437,142.82)</b> |
| SYSTEM LOSS RATE (SLR)  | 2018         | 64,981,703.17         | 41,617,776.62          | 23,363,926.54          |
|   | 2019         | 52,211,092.51         | 53,819,602.31          | (1,608,509.80)         |
|   | 2020         | 52,869,549.79         | 36,184,678.53          | 16,684,871.27          |
|   | <b>TOTAL</b> | <b>170,062,345.47</b> | <b>131,622,057.47</b>  | <b>38,440,288.01</b>   |
| LIFELINE SUBSIDY  | 2018         | 4,251,415.10          | (4,374,944.70)         | 123,529.61             |
|   | 2019         | 3,410,244.22          | (3,541,294.12)         | 131,049.90             |
|   | 2020         | 3,011,698.53          | (3,037,400.46)         | 25,701.92              |
|   | <b>TOTAL</b> | <b>10,673,357.85</b>  | <b>(10,953,639.28)</b> | <b>280,281.43</b>      |
| SENIOR CITIZEN SUBSIDY  | 2018         | 413,110.62            | (428,771.28)           | 15,660.66              |
|   | 2019         | 357,524.05            | (374,734.02)           | 17,209.97              |
|   | 2020         | 324,957.35            | (336,717.28)           | 11,759.93              |
|   | <b>TOTAL</b> | <b>1,095,592.02</b>   | <b>(1,140,222.59)</b>  | <b>44,630.56</b>       |
| <b>GRAND TOTAL/DIFFERENCE, RESULTING TO UNDER RECOVERIES FOR YEARS 2018 TO 2020</b> |              |                       |                        | <b>33,388,946.82</b>   |

Formulas used in computing the above over or under recoveries, as well as, the reasons for incurring the same are explained in the Executive Summary, hereto attached as **Annex “D”**.

**V. THE PROPOSED COLLECTION AND REFUND SCHEMES:**

11. The herein Applicant DORELCO is proposing a staggering way to collect the computed under recoveries on items of Generation and System Loss for a period of 48 months; while for Lifeline and Senior Citizen will be collected within a period of 12 months. On the other hand, Applicant is proposing an instalment refund for its over recoveries on Transmission Cost for a period of 48 months. Thus, the computed resulting proposed rates of collection and refund are shown below:

**PROPOSED COLLECTION/REFUND SCHEMES:**

| No.                          | PARTICULAR        | (Over)/Under Recovery | Using February 2021 kWh Sales | Proposed No. of Years | Rate Php/kWh |
|------------------------------|-------------------|-----------------------|-------------------------------|-----------------------|--------------|
| 1                            | Generation Cost   | 6,060,889.64          | 6,911,097.71                  | 48 months             | 0.0095       |
| 2                            | Transmission Cost | (11,437,142.82)       | 6,911,097.71                  | 48 months             | (0.0345)     |
| 3                            | System Loss       | 38,440,288.01         | 6,911,097.71                  | 48 months             | 0.1149       |
| 4                            | Lifeline          | 280,281.43            | 6,911,097.71                  | 12 months             | 0.0034       |
| 5                            | Senior Citizen    | 44,630.56             | 6,911,097.71                  | 12 months             | 0.0005       |
| <b>TOTAL</b>                 |                   | <b>33,388,946.82</b>  |                               |                       |              |
| <b>Total Impact on Rates</b> |                   | <b>0.0938/kWh</b>     |                               |                       |              |

**VI. SUPPORTING DATA AND DOCUMENTS**

12. In support to this Application, DORELCO is respectfully submitting herewith the following data and documents, which are being made integral parts hereof, to wit:

| <b>Folder</b> | <b>ANNEX</b>                          | <b>NATURE OF DOCUMENT</b>   |
|---------------|---------------------------------------|---|
| Folder 1      | ANNEX E                               | Summary of Over / Under Recoveries Computations for 2018-2020 (Per Charge and Yearly Basis)   |
|               | ANNEX F                               | Proposed Recovery/Refund Scheme using the latest kWh Sales                                    |
| Folder 2      | <b>SUPPLIER AND TRANSMISSION DATA</b> |   |
|               | ANNEX G                               | Fully Accomplished Supplier & Transmission Data Sheet for the Years 2018-2020                 |
|               | ANNEX H                               | Power Bills from Suppliers (Power Bill, Proof of Payment, Adjusted Bill/Debit or Credit Memo) |
| Folder 3      | <b>STATISTICAL DATA</b>               |   |
|               | ANNEX I                               | Fully Accomplished Statistical Data Sheet for the Year 2018-2020                              |
|               | ANNEX J                               | Manifestation of no Pilferage Cost Recoveries   |
|               | ANNEX K                               | Report of Implemented Other Adjustments   |
|               | ANNEX L                               | Monthly Financial & Statistical Report (MFSR) Sections A and E                                |
| Folder 4      | <b>ACTUAL IMPLEMENTED RATES</b>       |   |
|               | ANNEX M                               | Fully Accomplished Actual Implemented Rates Sheet Data Sheet for the year                     |
|               | ANNEX N                               | Fully Accomplished Lifeline Discount Sheet for the year                                       |
|               | ANNEX O                               | Fully Accomplished Senior Citizen Discount Sheet for the year                                 |
|               | ANNEX P                               | Consumer Bills per Customer Class (Non-Lifeline)  |
|               | ANNEX Q                               | Consumer Bills per Lifeline Bracket (Lifeline)  |
|               | ANNEX R                               | Senior Citizen Consumer Bills   |
| Folder 5      | <b>OTHER DOCUMENTS</b>                |   |
|               | ANNEX S                               | Uniform Reportorial Requirements (URR) for the years 2018-2020                                |

13. Further, in support of this Application, the “Judicial Affidavit” of DORELCO’s Finance Services Department Manager, Marinchie Y. Olarte, CPA is hereto attached and made integral part of this application and marked as “ANNEX T”.

**VII. COMPLIANCE WITH PRE-FILING REQUIREMENTS**

14. In compliance with the ERC prescribed Pre-filing requirements for O/U applications filing, DORELCO had provided copies of the Application and its annexes to Sangguniang Bayan of Municipality of Tolosa where the principal office is located, proof of which is the duly received Transmittal Letter and Certification hereto attached as “ANNEX U” and “ANNEX V”, respectively. Same copy of Application with annexes was given to Sangguniang Panlalawigan of Province of Leyte of Leyte, proof of which are hereto attached as “ANNEX W” and “ANNEX X”, respectively.
15. Moreover, applicant DORELCO had initiated the publication of this Application in a newspaper with general circulation within the franchise area of DORELCO in Leyte Province,

proof of which are hereto attached as “ANNEX Y” and “ANNEX Z”.

**PRAYER**

**WHEREFORE**, premises considered it is respectfully and humbly prayed of this Honorable Commission that DORELCO’s determination of its over and under recoveries in the implementation of automatic cost adjustment and true-up mechanisms be confirmed and approved, and that Applicant be allowed to collect the computed under recoveries in the items of: Generation Rate (GR), Lifeline Subsidy, System Loss Rate (SLR), and Senior Citizen Subsidy; likewise be allowed to refund the over-recovery in the item of Transmission Rate (TR), under the proposed collection and refund schemes.

Other reliefs, just and equitable under the premises are likewise most respectfully prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020,<sup>1</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)<sup>2</sup>:

| <b>Date</b>  | <b>Platform</b>            | <b>Activity</b>  |
|--|----------------------------|--|
| <b>31 August 2021</b><br>(Tuesday) at two o’clock<br>in the afternoon<br>(2:00 PM)   | <b>Microsoft<br/>Teams</b> | Determination of<br>compliance with the<br>jurisdictional<br>requirements and<br>expository presentation |
| <b>7 September 2021</b><br>(Tuesday) at two o’clock<br>in the afternoon<br>(2:00 PM) | <b>Microsoft<br/>Teams</b> | Pre-trial Conference<br>and presentation of<br>evidence  |

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 [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

---

<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission;

<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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
- 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 Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 21<sup>st</sup> day of June 2021 in Pasig City.

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: JMS/CLB/MCCG

