

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Exquadra Building, Ortigas Center
Pasig City

IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF CALCULATIONS OF OVER/UNDER RECOVERIES BASED ON THE FORMULAE ON THE VARIOUS AUTOMATIC COST ADJUSTMENTS AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR THE PERIOD 2020 TO 2022, PURSUANT TO ERC RESOLUTION NO. 16, SERIES OF 2009, AS AMENDED BY ERC RESOLUTION NO. 21, SERIES OF 2010, RESOLUTION NO. 23, SERIES OF 2016 AND RESOLUTION NO. 10, SERIES OF 2018

ERC CASE NO. 2025-025 CF

August 20, 2025

PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II)

Applicant.

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APPLICATION

APPLICANT PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II), through the undersigned counsel, and to this Honorable Commission, respectfully states that:

The Applicant

1. PELCO II is a franchised electric cooperative duly organized and existing by virtue of the laws of the Republic of the Philippines, with principal

office address at Sta. Filomena, Guagua, Pampanga, where it may be served with notices and other legal processes of this Honorable Commission, represented by its General Manager, **Mr. Amador T. Guevarra**, by virtue of Board Resolution Nos. 67-25 and 68-25, both dated 10 April 2025, hereto attached as **Annexes “BB” and “BB-1”**, respectively;

2. The Applicant has an exclusive franchise issued by the National Electrification Administration (NEA) to operate an electric light and power services in the City of Mabalacat and Municipalities of Guagua, Lubao, Porac, Sta. Rita, Sasmuan, Bacolor, all in the Province of Pampanga. It also served other areas in the Province of Pampanga such as Palmayo Resettlement and Barangay Anon in the Municipality of Floridablanca and Sta. Lucia Resettlement in the Municipality of Magalang;

3. The Applicant may be served with notices, orders, and processes of the Honorable Commission through the undersigned counsel at the address indicated below.

Legal Bases and Nature of the Application

4. The instant Application is being submitted to this Honorable Commission for its review and approval pursuant to Resolution No. 16, Series of 2009¹, as amended by Resolution No. 21, Series of 2010², Resolution No. 10, Series of 2018³, Resolution No. 2, Series of 2021⁴ and Resolution No. 14, Series of 2022⁵. These Resolutions were adopted by the Honorable Commission pursuant to the mandate of Section 43 of Republic Act No. 9136, otherwise known as the “Electric Power Industry Reform Act of 2001 (EPIRA) and its Implementing Rules and Regulations (IRR);

5. In compliance with the aforesaid Resolutions, the Applicant adopted and applied the prescribed formulae in the determination of the various automatic cost adjustments and true-up mechanisms for the recovery/refund of Over and Under Recoveries in the Generation, Transmission, System Loss Rate, Lifeline Discount/Subsidy, Senior Citizen Discount/Subsidy, Local Franchise Tax, and Real Property Tax;

6. The summary of the pass true cost vis-à-vis the actual collection on the above-mentioned implementation of various automatic cost adjustments and true-up mechanisms on Generation, Transmission, System

¹ A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

² A Resolution Amending Section 4 of Article 4 and Section 1 of Article 5 of the Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

³ A Resolution Clarifying the System Loss Calculation and Providing the Effectivity of the Rules for Setting the Distribution System Loss Cap

⁴ A Resolution on the Recovery of Pass-Through Taxes (Real Property, Local Franchise and Business Tax) of the Distribution Utilities

⁵ A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustments and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities

Loss, Lifeline Subsidy, Senior Citizen Subsidy Rates for the years 2020, 2021 and 2022 are presented hereunder, as follows:

Total for the Year 2020-2022

PARTICULARS	UNIT	ALLOWABLE COST	ALLOWABLE REVENUE	(OVER) / UNDER RECOVERY
GENERATION	PhP	10,814,500,059.50	10,306,284,360.06	508,215,699.44
TRANSMISSION	PhP	1,687,396,311.42	1,711,114,794.74	(23,718,483.32)
SYSTEM LOSS	PhP	1,454,800,136.06	1,430,897,690.26	23,902,445.80
LIFELINE SUBSIDY	PhP	49,101,075.30	49,274,793.06	(173,717.76)
SENIOR CITIZEN SUBSIDY	PhP	36,186.80	-	36,186.80
NET RESULT	PhP	14,005,833,769.07	13,497,571,638.12	508,262,130.95

For the Year 2020

PARTICULARS	UNIT	ALLOWABLE COST	ALLOWABLE REVENUE	(OVER) / UNDER RECOVERY
GENERATION	PhP	2,261,772,252.56	2,156,286,895.67	105,485,356.89
TRANSMISSION	PhP	519,787,902.64	523,970,642.24	(4,182,739.60)
SYSTEM LOSS	PhP	334,857,443.93	320,849,347.38	14,008,096.55
LIFELINE SUBSIDY	PhP	11,736,923.06	12,124,534.86	(387,611.80)
SENIOR CITIZEN SUBSIDY	PhP	12,184.59	-	12,184.59
NET RESULT	PhP	3,128,166,706.77	3,013,231,420.15	114,935,286.62

For the Year 2021

PARTICULARS	UNIT	ALLOWABLE COST	ALLOWABLE REVENUE	(OVER) / UNDER RECOVERY
GENERATION	PhP	3,250,881,931.15	3,135,650,622.18	115,231,308.97
TRANSMISSION	PhP	521,603,839.47	532,642,563.18	(11,038,723.71)
SYSTEM LOSS	PhP	445,853,139.02	439,630,891.09	6,222,247.93
LIFELINE SUBSIDY	PhP	14,537,446.65	14,466,891.63	70,555.02
SENIOR CITIZEN SUBSIDY	PhP	10,110.46	-	10,110.46
NET RESULT	PhP	4,232,886,466.75	4,122,390,968.08	110,495,498.67

For the Year 2022

PARTICULARS	UNIT	ALLOWABLE COST	ALLOWABLE REVENUE	(OVER) / UNDER RECOVERY
GENERATION	PhP	5,301,845,875.79	5,014,346,842.21	287,499,033.58
TRANSMISSION	PhP	646,004,569.31	654,501,589.32	(8,497,020.01)
SYSTEM LOSS	PhP	674,089,553.11	670,417,451.79	3,672,101.32
LIFELINE SUBSIDY	PhP	22,826,705.59	22,683,366.57	143,339.02
SENIOR CITIZEN SUBSIDY	PhP	13,891.76	-	13,891.76
NET RESULT	PhP	6,644,780,595.56	6,361,949,249.89	282,831,345.67

7. In support of the instant Application, the Applicant attached and submitted the following documents:

Folder	Documents	Annex Markings
1. OUR Calculation	Supply & Transmission Data	A and Series
	Statistical Data	
	Actual Implemented Rates	
	Lifeline Discount Sheet	
	Senior Citizen Discount	
	Additional Statistical Data	
	OUR Calculations	
	Summary of OUR Calculations for the Years 2020 to 2022	
	Proposed Refund and Collect Scheme	
2. Generation and Transmission Data	Bac-Man Geothermal, Inc. Power Bills	B and Series
	AP Renewable, Inc.	C and Series
	Power Sector Assets & Liabilities Management Corporation	D and Series
	IEMOP Invoices	E and Series
	NGCP Invoices	F and Series
	Summary of Net Metering	G
	Summary of Contestable Customers	H
3. Statistical Data	Summary of Pilferage Recoveries	I
	Report on Implemented Orders & Decisions	T and Series, and U
	MFSR Section B and E	J and Series
	Summary of Demand kWh Sales	K
4. Actual Implemented Rates Data	Non-Lifeline Sample Bills	L
	Lifeline Sample Bills per Bracket	M
	Lifeline Sample Bills per Level	N
	Senior Citizen Sample Bills	O
5. Other Documents	Submitted Monthly URR	P and Series
	URR Addendum	Q and Series
	Single Line Diagram	R
	ERC Orders and Decisions	S and Series
	Computation on How Pass-Through Charges were Derived	V, W, X, Y, and Z
	Manifestation on Local Taxes	AA

8. In calculating the Generation, Transmission, System Loss, Lifeline Subsidy and Senior Citizen Discount to its member-consumers, the Applicant uses the power bills issued by various power suppliers for a particular billing period including the corresponding sales and other data for which the resulting charges are to be implemented for the succeeding billing month. Thus, the resulting over and under recoveries for Generation, Transmission, and System Loss are the result of timing difference between the power supply and the billing to the member-consumers. Any increase or decrease in the kWh Sales in a given billing period affects the amount of cost recovery;

9. In addition, the over and under-recoveries for the years 2020, 2021 and 2022 can be attributed to the following:

- a) The effect on the implementation of Connection Asset Boundaries prescribed under ERC Resolution No. 23, Series of 2016, as amended by Resolution No. 10, Series of 2018 wherein this Honorable Commission clarified that for purposes of system loss calculation: (i) the distribution utility shall consider all energy inputs metered at its proper connection points or its assets boundaries; and (ii) the Site Specific Loss Adjustment (SSLA) beyond the asset boundary shall not form part of the computation but shall be considered in the generation rate calculation, while SSLA within the said asset boundary shall form part of the sub-transmission loss.
- b) One month log in the recovery of cost;
- c) The increase or decrease in the quantity and the corresponding month-to-month effective rate per kWh of energy sourced from the Wholesale Electricity Spot Market (WESM);
- d) The increase or decrease in the quantity and the corresponding month-to-month cost of fuel per kWh of energy sourced from bilateral power supply contract particularly in year 2022 wherein the Russia-Ukraine conflict caused a significant increase in the fuel cost;
- e) The changes in the monthly energy sales mix and the increase or decrease of kWh sales on a month-to-month basis; and
- f) Fluctuations on the 12-month average system loss percentage.

Recovery Period and Rate Impact

10. In order to mitigate the impact of the over/under recoveries adjustment, the Applicant proposes to recover and refund the following adjustments for a period of three (3) years based on its Projected Monthly Energy Sales for the years 2026, 2027 and 2028 hereunder presented, as follows”

Month	Projected Monthly Energy Sales* (kWh)			Total
	Year 2026	Year 2027	Year 2028	
Jan	62,882,183	66,558,967	70,199,293	
Feb	63,238,980	66,934,911	70,594,102	
Mar	66,227,748	70,101,615	73,937,201	
Apr	84,390,420	89,390,632	94,344,980	
May	93,194,150	98,710,489	104,176,015	
Jun	86,226,550	91,341,048	96,408,928	
Jul	82,814,624	87,702,234	92,544,022	
Aug	76,423,383	80,906,071	85,345,127	
Sep	74,635,798	79,013,201	83,347,981	
Oct	77,514,924	82,070,794	86,582,858	
Nov	76,457,935	80,937,943	85,374,143	
Dec	76,268,999	80,747,738	85,183,192	
Total	920,275,694	974,415,643	1,028,037,842	2,922,729,179

*Based on the submitted 2025-2033 Distribution Development Plan (DDP) and Power Supply Procurement Plan (PSPP)

PARTICULARS	(OVER) / UNDER RECOVERY AMOUNT (Php)	RECOVERY PERIOD (months)	TOTAL MONTHLY ENERGY SALES (kWh)	(OVER) / UNDER RECOVERY RATE (Php)
GENERATION	508,215,699.44	36	2,922,729,179	0.1739
TRANSMISSION	(23,718,483.32)	36	2,922,729,179	(0.0081)
SYSTEM LOSS	23,902,445.80	36	2,922,729,179	0.0082
LIFELINE SUBSIDY	(173,717.76)	36	2,922,729,179	(0.0001)
SENIOR CITIZEN SUBSIDY	36,186.80	1	62,882,183	0.0006
NET RESULT	508,262,130.95			0.1745

Compliance with the Pre-Filing Requirements

11. In compliance with Section 2, Rule 6 of the Honorable Commission's Revised Rules of Practice and Procedure, the copies of the Application including all its annexes and supporting documents had been furnished by the Applicant to the Office of the Mayor and the Legislative Body of the Municipality of Guagua where the Applicant principally operates and the Office of the Governor and the Legislative Body of the Province of Pampanga; and

12. As proof of compliance of the service of the copies of the Application and Annexes are the Certifications issued by the Authorized Representatives of the Local Government Units (LGUs) and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application showing the receiving stamp of the aforementioned offices as **Annexes "CC", "CC-1", "CC-2", and "CC-3"**, respectively. Likewise, the Affidavit of Publication and the newspaper issue containing the published Application are hereto attached as **Annexes "DD" and "DD-1"**.

PRAYER

WHEREFORE, the foregoing premises considered, Applicant **PAMPANGA II ELECTRIC COOPERATIVE, INC. (PELCO II)**, respectfully prays that the computations of over and under recoveries presented in the instant Application be approved and confirmed by this Honorable Commission and that PELCO II be allowed to refund and collect the amount of over and under recoveries.

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

Quezon City for Pasig City, 29 July 2025.


GREGORIO L. OFALSA

Counsel for Applicant

PTR No. 7122329; 20 January 2025; Quezon City

IBP No. 517665; 20 January 2025; Quezon City

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MCLE Compliance No. VIII-0031655/May 5, 2025

EXPLANATION OF FILING BY ELECTRONIC MEANS

Pursuant to ERC Resolution No. 9, series of 2020, the undersigned counsel respectfully manifests that the foregoing Application will be filed by electronic means.


Atty. Gregorio L. Ofalsa