

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE APPLICATION FOR: (1) CONFIRMATION OF TRUE-UP CALCULATIONS OF ACTUAL AVERAGE RATE PER RATE SCHEDULE VIS-À-VIS ERC-APPROVED AVERAGE RATE PER RATE SCHEDULE IMPLEMENTED FOR THE LAPSED REGULATORY YEARS; AND (2) APPROVAL OF REFUND SCHEME AND REFUND RATE PER RATE SCHEDULE, WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2022-071 RC

ILIGAN LIGHT & POWER INC.,

Applicant.

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Promulgated:

October 10, 2022

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 03 October 2022, Iligan Light & Power Inc. (ILPI) filed an *Application* dated 25 August 2022, seeking the Commission's (1) confirmation of true-up calculations of actual average rate per rate schedule vis-à-vis the Commission's approved average rate per rate schedule implemented for the lapsed regulatory years, and (2) approval of refund scheme and refund rate per rate schedule, with prayer for provisional authority.

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

1. Applicant ILPI is a Privately-Owned Distribution Utility (PDU) duly organized and existing under Philippine law, with principal office address at Bro. Jeffrey Road, Pala-o, Iligan

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City; franchised under Republic Act No. 8148 to distribute electricity in Iligan City, Province of Lanao del Norte; represented here by its President, Ralph B. Casiño.

2. On 25 April 2022, the Commission informed applicant ILPI that in the Commission Meeting of 09 March 2022, it deliberated on the treatment of the lapsed period for Private Distribution Utilities (PDUs) under the Performance Based Regulation (PBR).
3. Pursuant to its regulatory power under Republic Act No. 9136 (EPIRA), the Commission resolved to adopt a confirmation and true-up process in determining the rates of PDUs under the PBR to address the years during the lapsed period for the respective Entry Groups. Thus, the Commission considered the lapsed period for the Second Entry Group (Group B) under the PBR covering the period from 01 April 2013 to 31 March 2023 as the Third Regulatory Period (3rd RP) for Group B.
4. In the said process, the Commission will undertake to confirm the last approved rate of the concerned PDUs during the previous regulatory reset, to be utilized during the lapsed regulatory period. Thereafter, the confirmed rates will be subjected to a true-up mechanism as against the PDU's Actual Weighted Average Tariff (AWAT) to determine any resulting over recovery of rates charged during the lapsed period, based on the Over/Under Recovery Formula provided under Sec. 4.3.1 (a), Annex A of ERC Resolution No. 10, Series of 2021 (Revised RDWR).
5. As part of the Second Entry Group (Group B) promulgated under ERC Resolution No. 24, Series of 2007, ILPI has completed its Regulatory Reset for the Second Regulatory Period (2nd RP) covering the period from 01 April 2009 to 31 March 2013.
6. The Commission noted that ILPI continued to implement the last approved Distribution, Supply and Metering (DSM) rates for Regulatory Year (RY) 2013 of the 2nd RP under ERC Case No. 2011-176 RC. The Commission, in its letter dated 25 April 2022 (copy attached as Annex "G"), determined ILPI's Lapsed Regulatory Period to be the Third Regulatory Period from 01 April 2013 to 31 March 2023, to wit:

Under Resolution No. 10, series of 2021⁶, the Commission has determined ILPI's 3rd Regulatory Period:

| PDU | Lapsed Regulatory Period |
|------------|---|
| ILPI | 3 rd RP (01 April 2013 to 31 March 2023) |

7. In view of the foregoing, the Commission directed ILPI to file its AWAT application guided by the Over/Under Recovery Formula provided under Sec. 4.3.1 Article IV of the Revised Rules for Setting the Distribution Wheeling Rate (Revised RDWR) covering the period 01 April 2013 to present.

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8. In compliance thereto, ILPI is applying for the Commission's confirmation of the following true-up calculations of the actual average rate per rate schedule vis-à-vis the ERC-approved average rate per rate schedule:

Table 1: Computation of (Over) and Under Recoveries for Distribution, Supply and Metering (DSM) Charges (Annex "A")
 For the Period April 01, 2013 to June 30, 2022

| Customer Class | Latest ERC-Approved Rates ¹ | Actual Weighted Average Tariff (AWAT) ² | | | | | | (Over) and Under Recoveries | | Regulatory Intervention ³ | Net (Over) and Under Recoveries |
|----------------|--|--|----------------------|-----------------------|-------------|-------------------------|---------------|-----------------------------|-------------------------|--------------------------------------|---------------------------------|
| | | CR | RBR | AISDA | FISDA | CQ | AWAT | PhP/kWh | PhP | | |
| | | PhP/kWh | PhP | PhP | PhP | kWh | PhP/kWh | | | | |
| Flat Rate | 1.5448 | 13,127,486.39 | 228,709.78 | (6,705.05) | 0.00 | 8,501,920.22 | 1.5567 | (0.0119) | (101,369.87) | 871,610.03 | 770,240.15 |
| Residential | 2.2436 | 2,255,238,574.89 | 39,291,231.97 | (1,151,894.73) | 0.00 | 1,005,913,310.21 | 2.2604 | (0.0168) | (16,865,193.35) | 149,738,381.14 | 132,873,187.80 |
| Commercial | 1.7304 | 1,084,319,942.77 | 18,891,245.86 | (553,831.62) | 0.00 | 605,980,525.16 | 1.8040 | (0.0736) | (44,623,033.34) | 71,994,295.72 | 27,371,262.37 |
| General Power | 0.7962 | 210,915,584.40 | 3,674,614.85 | (107,728.09) | 0.00 | 197,675,244.82 | 1.0757 | (0.2795) | (55,256,133.80) | 14,003,910.06 | (41,252,223.74) |
| Bulk Power | 0.0934 | 49,956,334.62 | 870,349.57 | (25,515.90) | 0.00 | 208,436,828.71 | 0.2416 | (0.1482) | (30,897,993.70) | 3,316,891.06 | (27,581,102.64) |
| TOTAL | 1.6831 | 3,613,557,923.06 | 62,956,152.03 | (1,845,675.39) | 0.00 | 2,026,507,829.12 | 1.7978 | (0.5301) | (147,743,724.07) | 239,925,088.01 | 92,181,363.94 |

Notes on Table 1 (Annex A notes):

- ERC Decision dated 11 June 2012 issued in the case: *In the Matter of the Application for Approval of Maximum Average Price (MAP RY 2013) and its Translation into Distribution Rates of Different Customer Classes for the Fourth Regulatory Year of the ERC-Approved Annual Revenue Requirement for Iligan Light & Power Inc. under the Performance Based Regulation (PBR) for the Regulatory Period 2010-2013*, docketed as ERC Case No. 2011-176 RC
- The actual weighted average tariff, expressed in PhP/kWh $\frac{CR_{t-1} + RBR_{t-1} + AISDA_{t-1} - FISDA_{t-1}}{CQ_{t-1}}$ computed as:
 - CR_{t-1} The amount billed to Customer of the relevant Regulated Distribution System for the provision of Regulated Distribution Services by the Regulated Entity that operates that Regulated Distribution System
 - RBR_{t-1} Such portion of the net income derived, from each related business undertaking, which is engaged in directly or indirectly by the Regulated Entity that operates the relevant Regulated Distribution System and which utilizes assets that form part of the regulatory asset base for that Regulated Distribution System, being a portion that is determined by the ERC pursuant to Section 26 of the EPIRA and that may vary as between such business undertakings but which, for each such business undertaking, will be set at 50% of the net income that is so derived from that business undertaking
 - $AISDA_{t-1}$ The actual income derived by a Regulated Entity from the sale of disposed assets that were previously part of the rolled forward regulatory asset base for a Regulated Distribution System, after deducting any expenses associated with the sale but excluding the value at which the disposed assets were removed from the rolled forward regulatory asset base. This includes any income derived from the disposal of assets that were previously used beyond their Regulatory Lives
 - $FISDA_{t-1}$ The estimated income to a Regulated Entity that would arise from the sale of disposed assets that were previously part of the rolled forward regulatory asset base for a Regulated Distribution System
 - CQ_{t-1} The total amount of energy delivered through the relevant Regulated Distribution System, to Distribution Connection Points in respect of that Regulated Distribution System
- ERC Order dated 02 February 2009 issued in the case: *In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates*, docketed as ERC Case No. 2008-027 RC

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| Particulars | RY 2014 | RY 2015 | RY 2016 | RY 2017 | RY 2018 | RY 2019 | RY 2020 | RY 2021 | RY 2022 | RY 2023 |
|---------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|----------------|
| Inflation Rate, CPI 2012 = 100 | | 3.06% | 0.45% | 1.83% | 3.10% | 5.19% | 2.20% | 3.09% | | |
| Inflation Rate, CPI 2018 = 100 | | | | | | | 2.07% | 2.77% | 3.75% | 3.46% |
| Period, in months | | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 12.00 | 3.00 |
| Regulatory Intervention, Year 1 | 49,000,000.00 | 50,498,712.17 | 50,723,519.00 | 51,650,354.15 | 53,251,609.79 | 56,016,339.34 | 57,250,804.89 | 59,017,707.66 | 61,233,484.64 | 61,756,307.28 |
| Regulatory Intervention, Year 2 | | 49,000,000.00 | 49,218,134.96 | 50,117,463.29 | 51,671,196.50 | 54,353,873.79 | 55,551,702.59 | 57,266,166.82 | 59,416,183.48 | 59,923,489.66 |
| Regulatory Intervention, Year 3 | | | 49,000,000.00 | 49,895,342.51 | 51,442,189.57 | 54,112,977.22 | 55,305,497.24 | 57,012,362.96 | 59,152,850.73 | 59,657,908.53 |
| Regulatory Intervention, Year 4 | | | | 49,000,000.00 | 50,519,089.80 | 53,141,951.74 | 54,313,072.69 | 55,989,309.71 | 58,091,387.69 | 58,587,382.53 |
| Total | | | | | | | | | | 239,925,088.01 |

9. Notably, the Commission, in its Order dated 02 February 2009 in ERC Case No. 2008-027 RC, increased the regulatory intervention to Php49 Million per year for each year of the Second Regulatory Period in ILPI's annual revenue allowance, recoverable in the Third Regulatory Period (page 11 of Annex H) to wit:

1.3 An increased regulatory intervention of Php49 Million per year for each year of the Second Regulatory Period in ILPI's annual revenue allowance, recoverable in the Third Regulatory Period.

10. Considering the Commission's determination that ILPI's lapsed regulatory years shall be treated as the Third Regulatory Period, ILPI respectfully submits that the regulatory intervention should accordingly be recovered in the true-up of the Third Regulatory Period.
11. In view of the foregoing premises, ILPI proposes to refund/collect the net (over) and under recoveries under the following scheme:

Table 2: Proposed (Refund) and Collect Scheme (Annex "E")
For the Period April 01, 2013 to June 30, 2022

| Customer Class | Net (Over) and Under Recoveries | RY 2022 Sales | (Refund) and Collect Period | (Refund) and Collect Rate |
|----------------|---------------------------------|-----------------------|-----------------------------|---------------------------|
| | Php | kWh | Months | Php/kWh |
| Flat Rate | 770,240.15 | 367,972.57 | 48.00 | 0.5233 |
| Residential | 132,873,187.80 | 128,926,757.57 | 48.00 | 0.2577 |
| Commercial | 27,371,262.37 | 62,241,398.29 | 48.00 | 0.1099 |
| General Power | (41,252,223.74) | 20,390,017.32 | 48.00 | (0.5058) |
| Bulk Power | (27,581,102.64) | 20,165,305.98 | 48.00 | (0.3419) |
| Total | 92,181,363.94 | 232,091,451.73 | 48.00 | 0.0993 |

12. Applicant ILPI submits the following documents in support of this application:

| Annex | Particulars |
|-------|---|
| A | Computation of (Over) and Under Recoveries for Distribution, Supply and Metering (DSM) Charges |
| | Annex A Notes |
| B1 | Latest Energy Regulatory Commission Approved DSM Charges for the Period 01 April 2013 to 30 June 2022 |
| B2a | Billing Determinants (per RY) for the Period 01 April 2013 to 30 June 2022 |
| B2b | Billing Determinants (per Month) for the Period 01 April 2013 to 30 June 2022 |

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| | |
|-----|--|
| B3a | Computed DSM Revenues (per RY) |
| B3b | Computed DSM Revenues (per Month) |
| B4 | Uniform Reportorial Requirement (URR) |
| B5 | Sample Power Bills per Customer Class |
| Ca | Related Business Revenues (RBR) per RY |
| Cb | Related Business Revenues (RBR) per Month |
| D | Actual Income from the Sales of Disposed Assets (AISDA) |
| E | Proposed (Refund) and Collect Scheme |
| F | Rate Impact Simulation to Overall Rates of Proposed (Refund) and Collect Scheme for the Period 01 April 2013 to 30 June 2022 |
| G | ERC letter dated 25 April 2022 addressed to ILPI |
| H | ERC Order dated 02 February 2009 issued in ERC Case No. 2008-027 RC |

PRAYER

WHEREFORE, premises considered, ILPI respectfully pray that the Honorable Commission render a Decision as follows:

1. CONFIRMING ILPI's true-up calculations of its actual average rate per rate schedule vis-à-vis the ERC-approved average rate per rate schedule implemented for the lapsed regulatory years covering the period 01 April 2013 to 30 June 2022, more particularly described as follows:

Table 1: Computation of (Over) and Under Recoveries for Distribution, Supply and Metering (DSM) Charges (Annex "A")

For the Period April 01, 2013 to June 30, 2022

| Customer Class | Latest ERC-Approved Rates PhP/kWh | Actual Weighted Average Tariff (AWAT) | | | | | | (Over) and Under Recoveries | | Regulatory Intervention PhP | Net (Over) and Under Recoveries PhP |
|----------------|--------------------------------------|---------------------------------------|----------------------|-----------------------|-------------|-------------------------|---------------|-----------------------------|-------------------------|--------------------------------|--|
| | | CR | RBR | AISDA | FISDA | CQ | AWAT | PhP/kWh | PhP | | |
| | | PhP | PhP | PhP | PhP | kWh | PhP/kWh | PhP | | | |
| Flat Rate | 1.5448 | 13,127,486.39 | 228,709.78 | (6,705.05) | 0.00 | 8,501,920.22 | 1.5567 | (0.0119) | (101,369.87) | 871,610.03 | 770,240.15 |
| Residential | 2.2436 | 2,255,238,574.89 | 39,291,231.97 | (1,151,894.73) | 0.00 | 1,005,913,310.21 | 2.2604 | (0.0168) | (16,865,193.35) | 149,738,381.14 | 132,873,187.80 |
| Commercial | 1.7304 | 1,084,319,942.77 | 18,891,245.86 | (553,831.62) | 0.00 | 605,980,525.16 | 1.8040 | (0.0736) | (44,623,033.34) | 71,994,295.72 | 27,371,262.37 |
| General Power | 0.7962 | 210,915,584.40 | 3,674,614.85 | (107,728.09) | 0.00 | 197,675,244.82 | 1.0757 | (0.2795) | (55,256,133.80) | 14,003,910.06 | (41,252,223.74) |
| Bulk Power | 0.0934 | 49,956,334.62 | 870,349.57 | (25,515.90) | 0.00 | 208,436,828.71 | 0.2416 | (0.1482) | (30,897,993.70) | 3,316,891.06 | (27,581,102.64) |
| TOTAL | 1.6831 | 3,613,557,923.06 | 62,956,152.03 | (1,845,675.39) | 0.00 | 2,026,507,829.12 | 1.7978 | (0.5301) | (147,743,724.07) | 239,925,088.01 | 92,181,363.94 |

2. APPROVE ILPI's proposed refund/collect scheme, more particularly described as follows:

Table 2: Proposed (Refund) and Collect Scheme (Annex "E")

For the Period April 01, 2013 to June 30, 2022

| Customer Class | Net (Over) and Under Recoveries | RY 2022 Sales | (Refund) and Collect Period | (Refund) and Collect Rate |
|----------------|---------------------------------|-----------------------|-----------------------------|---------------------------|
| | PhP | kWh | Months | PhP/kWh |
| Flat Rate | 770,240.15 | 367,972.57 | 48.00 | 0.5233 |
| Residential | 132,873,187.80 | 128,926,757.57 | 48.00 | 0.2577 |
| Commercial | 27,371,262.37 | 62,241,398.29 | 48.00 | 0.1099 |
| General Power | (41,252,223.74) | 20,390,017.32 | 48.00 | (0.5058) |
| Bulk Power | (27,581,102.64) | 20,165,305.98 | 48.00 | (0.3419) |
| Total | 92,181,363.94 | 232,091,451.73 | 48.00 | 0.0993 |

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3. ISSUE a *Provisional Authority (PA)* pending final resolution of the above-captioned case directing the immediate implementation of the proposed refund and collection scheme.
4. DECLARE, after due notice and hearing, that all issues pertaining to ILPI's *Lapsed Regulatory Years* covering the period 01 April 2013 to 30 June 2022 as finally resolved, closed and terminated.

Finally, ILPI also prays for such other relief or remedy as may be just and equitable under the circumstances.

The Commission hereby sets sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):²

| Date | Platform | Activity |
|---|--|--|
| 23 November 2022 (Wednesday) at nine o'clock in the morning (9:00 A.M.) | Microsoft Teams or Zoom Application | Determination of compliance with the jurisdictional requirements and expository presentation |
| 29 November 2022 (Tuesday) at nine o'clock in the morning (9:00 A.M.) | | Pre-trial Conference and presentation of evidence |

ILPI has been directed to host the virtual hearing at **ILPI's Principal Office located at Bro. Jeffrey Road, Pala-O, Iligan City, Lanao del Norte**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, ILPI shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their

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.

respective 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, copy furnish the Legal Service through 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, copy furnish the Legal Service through 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.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The

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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 Chairperson and CEO **MONALISA C. DIMALANTA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 10th day of October 2022 in Pasig City.


FLORESINDA G. BALDO-DIGAL
Oversight Commissioner
For the Legal Service D


LS: VMA/LSP/MCCG