

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 TRUE-  
UP MECHANISMS FOR THE  
PERIOD 2021 TO 2023,  
PURSUANT TO ERC  
RESOLUTION NO. 16, SERIES  
OF 2009 AS AMENDED BY  
RESOLUTION NO. 21, SERIES  
OF 2010, ERC RESOLUTION  
NO. 23, SERIES OF 2010, ERC  
RESOLUTION NO. 02,  
SERIES OF 2021, AND ERC  
RESOLUTION NO. 14, SERIES  
OF 2022**

**ERC CASE NO. 2024-017 CF**

**ILOILO III ELECTRIC  
COOPERATIVE, INC (ILECO  
III),**

*Applicant.*

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**Promulgated:**

December 26, 2024

**ORDER**

On 02 May 2024, Iloilo III Electric Cooperative Inc. (ILECO III) filed an *Application* dated 11 April 2024, seeking the Commission's approval of its calculations of over or under recoveries in the implementation of automatic cost adjustments and true-up mechanisms for the period 2021 to 2023, pursuant to ERC Resolution No. 16, Series of 2009, as amended by ERC Resolution No. 21, Series of 2010, ERC Resolution No. 23, Series of 2010, ERC Resolution No. 02, Series of 2021, and ERC Resolution No. 14, Series of 2022.

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

**THE APPLICANT**

1. ILECO III is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Brgy. Preciosa, Sara, Iloilo:
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Ajuy, Anilao, Balasan, Banate, Barotac Viejo, Batad, Carles, Concepcion, Estancia, Lemery, San Dionisio, San Rafael and Sara.

**LEGAL BASES FOR THE APPLICATION**

3. ERC Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010 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 Recovery, as the case may be;
4. 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;
5. Further, ERC Resolution No. 02, Series of 2021, provides for the recovery of all just and reasonable costs pertaining to current taxes (real property, local franchise, and business tax) that are levied by local government units within the distribution utilities' franchise area, subject to the post-validation and confirmation process mechanism of the Commission.
6. Finally, ERC Resolution No. 14, Series of 2022, directs the distribution utilities to adopt the Revised Rules governing the automatic cost adjustment and true-up mechanisms and corresponding confirmation process for DUs with its revised Uniform Reportorial Requirement (URR) spreadsheet template.
7. Foregoing resolutions further require the distribution utilities to file their respective consolidated applications once every three (3) years.

8. Hence, the filing of the instant application, covering the period of January 2021 to December 2023.

**OVER AND UNDER-RECOVERIES OF ALLOWABLE COSTS**

9. Applying the formulae provided under Resolution No. 16, Series of 2009 as amended by Resolution No. 21, Series of 2010, Resolution No. 23, Series of 2010, Resolution No. 02, Series of 2021, and ERC Resolution No. 14, Series of 2022, respectively, ILECO III 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 of January 2021 to December 2023;
10. The results of its calculations are presented hereunder, as follows:

<b>Particulars</b>	<b>Allowable Cost (PhP)</b>	<b>Revenue (PhP)</b>	<b>(Over)/Under Recovery (PhP)</b>
Generation Rate (GR)			
Mainland	2,982,829,848.26	2,982,239,298.35	590,549.91
SPUG	47,470,978.92	47,174,351.52	296,627.40
	375,596,762.69	377,316,662.20	(1,719,899.51)
Transmission Rate (TR)			
Systems Loss Rate (SLR)			
Mainland	290,127,111.39	292,826,916.22	(2,699,804.83)
SPUG	5,077,651.47	5,494,837.64	(417,186.17)
Lifeline Subsidy	30,951,396.16	31,851,499.08	(900,102.92)
Senior Citizen Subsidy	56,705.85	53,607.22	3,098.63
Local Franchise Tax			
Ajuy	2,984,227.24	-	2,984,227.24
Anilao			
Balasan			
Banate			
Barotac Viejo			
Batad			
Carles			
Concepcion			
Estancia			
Lemery			
San Dionisio			
San Rafael			
Sara			
Business Tax			
Sara	200,014.90	-	200,014.90
Real Property Tax	118,468.57	-	118,468.57
<b>Net Results</b>			<b>(1,544,006.78)</b>

**REASON FOR THE OVER OR UNDER-RECOVERIES**

11. The following factors are major contributors in the causes of the over/under recoveries:
  - A. **kWh Sales** – The changes in the monthly kWh Sales influences the results of the over/under recovery. Additionally, an increase in kWh Sales also increases the variance between the Allowable Cost and the Revenue, and vice versa.
  - B. **Generation/Transmission Cost** - This cost charged by the Generation Companies (PEDC, GCGI, SIPC, PCPC, GNPD, WESM, NPC) and the Transmission Company (NGCP) are translated into Rate/kWh. In this regard, this causes the increase or decrease of our monthly rate. Likewise, the Transmission Cost is not applicable to SPUG areas.
  - C. **Timing Difference** - One of the purpose of ERC’s Automatic Cost Adjustment and True-up Mechanisms is to match the revenue and the cost of all pass-through charges for transparency and equity. However, due to the natural limitation of the rate formula, variance is inevitable.

**SUPPORTING DATA AND DOCUMENTS**

12. In support of foregoing calculations, ILECO III is submitting the following data and documents covering the period of January 2021 to December 2023, attached hereto and made integral parts hereof, as follows:

<b>FOLDER NO.</b>	<b>ANNEX MARKINGS</b>	<b>DESCRIPTION OF DOCUMENTS</b>
Folder 1	Annex A	Supplier and Transmission Data Sheet Per Year
	Annex B	Statistical Data Sheet Per Year
	Annex C	Actual Implemented Rates Sheet Per Year
	Annex D	Lifeline Discount Sheet Per Year
	Annex E	Senior Citizen Discount Sheet Per Year
	Annex F	Additional Statistical Data Sheet Per Year
	Annex G	

**ERC CASE NO. 2024-017 CF**  
**ORDER/ 26 DECEMBER 2024**  
**PAGE 5 OF 13**

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		Summary of Over/Under-Recoveries Computation
	Annex H	Proposed Refund/Collect Scheme
Folder 2	<b>SUPPLIER AND TRANSMISSION DATA</b>	
	Annex I	Power Bills from Suppliers
Folder 3	<b>STATISTICAL DATA</b>	
	Annex J	Summary of Pilferage Cost Recoveries
	Annex K	Report on the Implemented Orders/Decisions
	Annex L	MFSR – Sections B and E
	Annex M	Demand (kW) Sales Summary Report
Folder 4	<b>ACTUAL IMPLEMENTED RATES DATA</b>	
	Annex N	Consumer Bills per Customer Class (Non-Lifeline)
	Annex O	Consumer Bills per Lifeline Bracket (Lifeline)
	Annex P	Senior Citizen Consumer Bills
Folder 5	<b>OTHER DOCUMENTS</b>	
	Annex Q	Submitted Monthly URR per Reso. 17, Series of 2009
	Annex R	Submitted Monthly URR Addendum
	Annex S	Single Line Diagram
	Annex T	Power Supply Contracts with Generation Companies
Folder 6	<b>LOCAL FRANCHISE, BUSINESS, AND REAL PROPERTY TAXES</b>	
	Annex U Series	a) Local Franchise Tax Local Tax Ordinance, Tax Receipts for payments made, Actual Distribution Revenues, Breakdown of Gross Sales/Receipts; Appendix B
	Annex V Series	b) Business Tax Local Tax Ordinance; Tax Receipts for payments made; Actual Distribution Revenues;

		Breakdown of Gross Sales/Receipts; Appendix A;
	Annex W	c) Consumer Bills per LGU
	Annex X Series	Real Property Tax a) Local Tax Ordinance; Tax Declarations; Tax Assessments; Statements of Account; Official Receipts; Appendix A
	Annex Y	b) Consumer Bills per LGU
	Annex Z	Computations on how the implemented pass-through taxes were derived

13. Further, in compliance with the pre-filing requirements under the Revised ERC Rules of Practice and Procedure, herein applicant is submitting the following documents to form integral parts hereof, as follows, to wit:

<b>ANNEX MARKINGS</b>	<b>DESCRIPTION OF THE DOCUMENTS</b>
Annex AA series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Bayan of Sara and Governor and Sangguniang Panlalawigan of Iloilo
Annex BB series	Proof of publication of the Application in a newspaper of general within ILECO III's franchise area or where it principally operates

14. Considering the foregoing, it is respectfully prayed that ILECO III's calculations of over or under-recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms be confirmed and approved, and the cooperative be allowed to refund the over-recoveries or collect the under-recoveries, as the case may be, to or from its customers.

**PRAYER**

**WHEREFORE**, premises considered, applicant Iloilo III Electric Cooperative, Inc. (ILECO III) respectfully prays of this Honorable Commission, after due notice and hearing, to confirm and approve its calculations of over or under-recoveries in the implementation of subject automatic cost adjustments and true-up mechanisms covering the period of January 2021 to December 2023 made pursuant to ERC Resolution No. 16, Series of 2009 as amended

by Resolution No. 21, Series of 2010, ERC Resolution No. 23, Series of 2011, ERC Resolution No. 02, Series of 2021, and ERC Resolution No. 14, Series of 2022 and allow the cooperative to refund the over-recoveries or collect the under-recoveries, as the case maybe, to or from its customers, based on the following refund/collect scheme, to wit:

<b>Particulars</b>	<b>(Over)/Under-Recovery (PhP)</b>	<b>Proposed Term of Refund /Collect</b>	<b>Rate per Month</b>
Generation Rate (GR)			
Mainland	590,549.91	36 months	0.0001
SPUG	296,627.40	36 months	0.0031
Transmission Rate (TR)	(1,719,899.51)	36 months	(0.0004)
Systems Loss Rate (SLR)			
Mainland	(2,699,804.83)	36 months	(0.0005)
SPUG	(417,186.17)	36 months	(0.0043)
Lifeline Subsidy	(900,102.92)	36 months	(0.0002)
Senior Citizen Subsidy	3,098.63	1 month	0.00002
Local Franchise Tax			
<i>Ajuy</i>			
<i>Anilao</i>			
<i>Balasan</i>			
<i>Banate</i>			
<i>Barotac Viejo</i>			
<i>Batad</i>			
<i>Carles</i>			
<i>Concepcion</i>	2,984,227.24	12 months	0.0016
<i>Estancia</i>			
<i>Lemery</i>			
<i>San Dionisio</i>			
<i>San Rafael</i>			
<i>Sara</i>			
Business Tax			
Sara	200,014.90	12 months	0.0008
Real Property Tax	118,468.57	12 months	0.0001
<b>Net Results</b>	(1,544,006.78)		

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

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for hearing for determination of compliance with the jurisdictional requirements, expository presentation, and Pre-trial Conference **on 27 March 2025 (Thursday) at nine o'clock in the morning (09:00 A.M.)**, through **MS Teams Application** as the online platform for the conduct thereof, pursuant to Resolution No. 09, Series

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

Accordingly, ILECO III is hereby directed to host the virtual hearing at **ILECO III's principal office located at Brgy. Preciosa, Sara, Iloilo**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, ILECO III shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, Applicant ILECO III 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, the Mayors, and the Local Government Unit (LGU) Legislative Bodies within ILECO III's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within ILECO III's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings 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

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<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.



- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

**Within five (5) calendar days** before the date of the virtual hearing, ILECO III must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto: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, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by ILECO III 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, ILECO III is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Offices of the Governors, Mayors, and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant ILECO III, and all interested parties are also required to submit via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto: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 also 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 ILECO III 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 initial virtual hearing and Pre-trial Conference, pursuant to the preceding paragraph.

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

Applicant ILECO III must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they 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 ILECO III is hereby directed to file a copy of its Expository Presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), **at least five (5) calendar days** prior to the scheduled virtual hearing. ILECO III 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 ILECO III 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, ILECO III, including its authorized representatives and witnesses, are hereby directed to provide the Commission, through [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), their respective 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 hearings.

**SO ORDERED.**

Pasig City, 26 December 2024.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**KRISHA MARIE T. BUELA**  
*Director III, Legal Service*

**ERC CASE NO. 2024-017 CF**  
**ORDER/ 26 DECEMBER 2024**  
**PAGE 12 OF 13**

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**Copy Furnished:**

1. Iloilo III Electric Cooperative, Inc (ILECO III)  
*Applicant*  
Brgy. Preciosa, Sara, Iloilo
2. DECHAVEZ LERIOS-AMBOY AND EVANGELISTA LAW OFFICES  
*Counsel for ILECO III*  
Unit 2008, Tycoon Centre Pearl Drive,  
Ortigas Center, Pasig City 1605  
Email address: [powerlawfirm@gmail.com](mailto:powerlawfirm@gmail.com)
3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City  
Email address: [docket@osg.gov.ph](mailto:docket@osg.gov.ph)
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City  
Email address: [citizensdesk@coa.gov.ph](mailto:citizensdesk@coa.gov.ph)
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City  
Email address: [senateenergycommittee@gmail.com](mailto:senateenergycommittee@gmail.com)
6. House Committee on Energy  
Batasan Hills, Quezon City  
Email address: [committee.energy@house.gov.ph](mailto:committee.energy@house.gov.ph)
7. Office of the Governor  
Province of Iloilo
8. Office of the Local Government Unit (LGU) Legislative Body  
Province of Iloilo
9. Office of the Municipal Mayor  
Ajuy, Iloilo
10. Office of the Local Government Unit (LGU) Legislative  
Ajuy, Iloilo
11. Office of the Municipal Mayor  
Anilao, Iloilo
12. Office of the Local Government Unit (LGU) Legislative  
Anilao, Iloilo
13. Office of the Municipal Mayor  
Balasan, Iloilo
14. Office of the Local Government Unit (LGU) Legislative  
Balasan, Iloilo
15. Office of the Municipal Mayor  
Banate, Iloilo
16. Office of the Local Government Unit (LGU) Legislative  
Banate, Iloilo
17. Office of the Municipal Mayor  
Barotac, Iloilo
18. Office of the Local Government Unit (LGU) Legislative  
Barotac, Iloilo

**ERC CASE NO. 2024-017 CF**  
**ORDER/ 26 DECEMBER 2024**  
**PAGE 13 OF 13**

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19. Office of the Municipal Mayor  
Batad, Iloilo
20. Office of the Local Government Unit (LGU) Legislative  
Batad, Iloilo
21. Office of the Municipal Mayor  
Carles, Iloilo
22. Office of the Local Government Unit (LGU) Legislative  
Carles, Iloilo
23. Office of the Municipal Mayor  
Concepcion, Iloilo
24. Office of the Local Government Unit (LGU) Legislative  
Concepcion, Iloilo
25. Office of the Municipal Mayor  
Estancia, Iloilo
26. Office of the Local Government Unit (LGU) Legislative  
Estancia, Iloilo
27. Office of the Municipal Mayor  
Lemery, Iloilo
28. Office of the Local Government Unit (LGU) Legislative  
Lemery, Iloilo
29. Office of the Municipal Mayor  
San Dionisio, Iloilo
30. Office of the Local Government Unit (LGU) Legislative  
San Dionisio, Iloilo
31. Office of the Municipal Mayor  
San Rafael, Iloilo
32. Office of the Local Government Unit (LGU) Legislative  
San Rafael, Iloilo
33. Office of the Municipal Mayor  
Sara, Iloilo
34. Office of the Local Government Unit (LGU) Legislative  
Sara, Iloilo
35. Office of the Municipal Mayor  
Viejo, Iloilo
36. Office of the Local Government Unit (LGU) Legislative  
Viejo, Iloilo
37. Regulatory Operations Service (ROS)  
14<sup>th</sup> Floor, Exquadra Tower, 1 Jade Drive,  
Ortigas Center San Antonio, Pasig City  
[ros@erc.ph](mailto:ros@erc.ph)