NATIONAL ADMINISTRATIVE REGISTER · [ERC CASE NO. 2005-09 RM, JULY 08, 2005] · MAY 17, 2002

GUIDELINES FOR THE CALCULATION OF THE OVER OR UNDER RECOVERY IN THE IMPLEMENTATION OF LIFELINE RATES BY DISTRIBUTION UTILITIES

Read online (full-text search, related cases, audio case brief): https://batas.org/library/0c9b3c91b88a/

Pursuant to Section 43(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), the Energy Regulatory Commission (ERC) hereby adopts and promulgates these guidelines to establish a process for a revenue neutral implementation of the Lifeline Rates and Discounts by Distribution Utilities (DUs).

Article I
General Provisions

1.1 Purpose

1.1.1 To ensure that Lifeline Discounts shall be applied to all Marginalized End-users of all DUs;

1.1.2 To ensure that the cost of subsidizing lifeline end-users shall be passed on to all non-lifeline end users;

1.1.3 To ensure the revenue-neutral position of the DUs in the implementation of Lifeline Rate and Discount;

1.1.4 To protect the public interest as it is affected by the rates and services of DUs; and

1.1.5 To ensure and maintain the quality, reliability, security and affordability of the supply of electric power.

1.2 Scope

1.2.1 These Guidelines shall apply to all DUs.

1.3 Definition of Terms

Act - unless otherwise stated, shall refer to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001";

Distribution Utility - refers to any electric cooperative, private corporation, government-owned utility or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the Act;

Energy Regulatory Commission or ERC - shall refer to the regulatory agency created under Section 38 of the Act;

Lifeline Rate - refers to the subsidized rate given to Marginalized/low-income captive market End-users who cannot afford to pay at full cost;

Marginalized End-Users - refers to low-income, captive, household electricity consumers who cannot afford to pay at full cost and have levels of electricity consumption below a threshold level as determined by the ERC; and

Lifeline Rate Adjustments (LRA) - shall refer to the over or under recovery incurred in subsidizing lifeline end-users expressed in PhP/kWh.

Article II
Calculation of the Lifeline Rate Adjustment

2.1 Adjustment Formula - all Distribution Utilities (DUs) shall calculate the over or under recovery in the lifeline rate based on either of the following two (2) formulas:

Formula A

LRA = Total lifeline Rate Adjustment/ S kWhNLi
i =1....n

Total Lifeline Rate Adjustment = ? (Total Subsidyi - Total discounti)
i=1...n

where:

i

=

month 1, month 2, ... month n

Total Subsidyi

=

kWhNLi x LSC

Total Discounti

=

[(kWh1i x TRatei) + (NCust2i x PhP5/cust)] x Di+

[(kWh2i x TRatei) + (NCust7i x PhP5/cust)] x D2+

[(kWh3i x TRatei) + (NCust3i x PhP5/cust)] x D3+

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

.... +

[(kWhNi x TRatei) + (NCustNi x PhP5/cust)] x DN

kWhNLi

=

Total kWh Sales of the non-lifeline customers for the month i

LSC

=

Lifeline Rate to non-lifeline customers (as provided in
the Unbundling Decision of the DU)

kWh1i

=

Total kWh sales for the first lifeline level (e.g. 0-1.5 kWh) for the month i

kWh2i

=

Total kWh sales for the second lifeline level (e.g. 16-20 kWh) for the month i

kWh3i

=

Total kWh sales for the third lifeline level (e.g. 21-25 kWh) for the month i

kWhNi

=

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

Total kWh sales for the last lifeline level (e.g. 25-30 kWh) for the month i

TRatei

=

Total rate for residential customers to include generation, transmission, system loss, distribution, supply and metering and loan condona tion for the DUs in PhP/kWh for the month i

NCust1i

=

Total number of customer for the first lifeline level for the month i

NCust2i

=

Total number of customers for the second life line level for the month i

NCust3i

=

Total number of customers for the third lifeline level for the month i

NCustni

=

Total number of customers for the last lifeline level for the month i

PhP5.00/cust/mo.

=

Fixed metering charge for residential customers

D1

=

Discount rate for the first lifeline level

D2

=

Discount rate for the second lifeline level

D3

=

Discount rate for the third lifeline level

DN

=

Discount rate for the last lifeline level

Lifeline levels and corresponding discounts vary per DU. Hence, the subscript N being referred to in the formula stands for the last lifeline level or range of kWh consumptions/sales. If there are 4 lifeline levels assigned for a specific DU, then N=4 and the formula will have kWh1, kWh2, kWh3, and kWh4. The same thing applies for NCust and D.

Formula B

Lifeline Rate Adjustment = Total lifeline Rate Adjustment /? kWhNLi
i = 1...n

Total Lifeline Rate Adjustment = ? (Total Subsidyi - Total Discounti)
i=1....n

where:

i

=

month 1, month 2, ... month n

Total Subsidyi

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

=

kWhNLi x LSC

Total Discounti

=

(kWh1i x TRatei) + (PhP5/cust x NCusti) - Total Lifelinebill;

kWhNLi

=

Total kWh Sales of the non-lifeline customers for the month i

LSC

=

Lifeline Rate to non-lifeline customers (as provided in the Un- bundling Decision of the DU)

kWhLi

=

Total Lifeline kWh Sales for the month i

TRatei

=

Total rate for residential customers to include generation, transmission, system loss, distribution, supply and metering and loan condonation for the DUs in PhP/kWh for the month i

PhP5.00/cust/mo.

=

Fixed metering charge for residential customers.

NCust1i

=

Total number of lifeline customers for the month i

Total Lifeline Billi

=

Total Amount Actually Billed to Lifeline Customers for the month i

2.2 Monthly Calculation of the Lifeline Rate Adjustment - On or before the fifteenth (15th) day of each month, all DUs shall be required to calculate the over or under recovery incurred in the implementation of the lifeline rate for the previous month in accordance with Section 2.1 hereof.

This calculation shall start for the month ending July 31, 2005.

2.3 Calculation of the Lifeline Rate Adjustment from the Implementation of the Unbundled Rates up to June 2005 - All DUs shall be required to calculate the over or under recovery incurred in the implementation of their lifeline rates from the time they first implemented their unbundled rates up to June 2005, in accordance with Section 2.1 hereof.

This calculation shall require prior verification of the Commission.

Article III
Billing of the Over/Under Recovery in the Lifeline Rate

3.1 Billing of the Monthly Over or Under Recovery - the DU shall bill its customers the over or under recovery in the lifeline rate on the next billing cycle as calculated in accordance with Article II, Section 2.2 of these Guidelines without need of prior ERC approval. The over or under recovery in the lifeline rate or the Lifeline Rate Adjustment as calculated in Article II will be incorporated in the existing lifeline rate of the DUs existing non-lifeline customers. Hence, the single line item for the lifeline rate shall be retained.

3.2 Billing of the Over or Under Recovery from the Implementation of the Unbundled Rates up to June 2005 - The DU shall bill its customers the over or under recovery in the lifeline rate calculated in accordance with Article II, Section 2.3 of these Guidelines, as prescribed in the Order to be issued by ERC upon prior verification.

Any over or under recovery resulting in the prior verification will be incorporated in the existing lifeline rate of the DUs existing non-lifeline customers. Hence, the single line item for the lifeline shall be retained.

Article IV
Verification Process

4.1 Monthly Reporting Requirements - Except for the calculation of the lifeline rate adjustment from the implementation of the unbundled rates up to June 2005, the DU shall submit to the ERC on or before the thirtieth (30th) day of the month all calculations related to Article II, Section 2.2 (using the format provided in Annex A[*] or Annex B[*] hereof) along with supporting documents, including, but not limited to, the following:

For DUs that will be using Formula A

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

4.1.1 Frequency distribution by kWh consumption and Number of Customers for the DU's lifeline customers;

4.1.2 Sample bills to end-users;

4.1.3 Official receipts of payment of NPC Genco, other generation sources and TRANSCO's invoices;

4.1.4 Monthly Financial and Statistical Report (MFSR) for ECs and M001 and M002 for Pus

4.1.5 Other documents deemed relevant by the ERC.

For DUs that will be using Formula B

In addition to all the items above, the DU shall include the Total Amount Actually Billed to Lifeline Customers.

4.2 Prior Verification of the Lifeline Rate Adjustment from the Implementation of the Unbundled Rates up to June 2005 - Prior verification of the lifeline rate adjustment from the implementation of the unbundled rate up to June 2005 shall be done by the ERC within six (6) months upon submission of complete documents as required under Section 4.1 hereof. Should ERC fail to verify the adjustment in the lifeline rate within the prescribed period, the rates shall be deemed final and confirmed.

Upon completion of the verification process, the ERC shall issue an Order establishing the adjustment to be included in the lifeline rate resulting from said verification. This adjustment, if any, shall be implemented within the period to be prescribed by the ERC.

4.3 Post Verification - Annually, the ERC shall verify the over or under recovery for the 12 month period on the Lifeline Rate. The actual subsidy collected for the period and the actual discount granted for the same period shall be compared to ensure revenue neutrality to the DU. Verification will be done within one (1) year from submission of complete documents as required under Section 4.1 hereof, for the whole prior year period. Should ERC fail to verify the adjustment in the lifeline rate within the prescribed period, the rates shall be deemed final and confirmed.

If the verification process established an under recovery, the ERC shall issue an Order establishing the adjustment to be included in the lifeline rate. This adjustment shall be implemented within a period to be prescribed by the ERC.

On the other hand, if the verification process resulted in an over recovery, the amount of over recovery including a carrying charge based on the 91-day T-bill Rate plus 300 basis points will be refunded during the next billing period after the receipt by the DU of the Order issued by the Commission as a result of the verification process.

Article V
Fines and Penalties

Violation of any provision of these Guidelines shall be subject to the imposition of fines and penalties in accordance with the Guidelines to Govern the Imposition of Administrative Sanctions in the Form of Fines and Penalties Pursuant to Section 46 of Republic Act 9136 promulgated by ERC on May 17, 2002.

Article VI
Exception

Where good cause appears, the ERC may allow an exception from any provisions of these Guidelines, if such exception is found to be in the public interest and is not contrary to any law, rules and regulations. Should there by any valid reason for a DU not to strictly comply with these Guidelines, the concerned DU shall submit, within fifteen (15) days from the effectivity of these Guidelines, its proposed alternative mechanism/formula. It is only

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

after the Commission's approval of said mechanism/formula will recovery/refund resulting therefrom will be allowed.

Article VII

Separability

If for any reason any provision of these Guidelines is declared unconstitutional or invalid by final judgment of a competent court, the other parts or provisions hereof which were not affected thereby shall continue to be in full force and effect.

Article VIII
Effectivity

These Guidelines shall take effect on the fifteenth (15th) day following its publication in two (2) newspapers of general circulation.

Adopted: 08 July 2005

(SGD.) RODOLFO B. ALBANO, JR.

Chairman

(SGD.) OLIVER B. BUTALID

(SGD.) JESUS N. ALCORDO

Commissioner

Commissioner

(SGD.) RAUF A. TAN

(SGD.) ALEJANDRO Z. BARIN

Commissioner

Commissioner

---

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.