NATIONAL ADMINISTRATIVE REGISTER · JULY 20, 2005

A RESOLUTION APPROVING A NEW POLICY ON THE TREATMENT OF PROMPT PAYMENT DISCOUNT (PPD)

ERC RESOLUTION NO. 12, S. 2005, July 20, 2005

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WHEREAS, Section 26 of Republic Act No. 9136, otherwise known as the Electric Power Reform Act of 2001 (EPIRA) provides that:

> "Distribution utilities may, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets: Provided, That a portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce its distribution wheeling charges as determined by the ERC:
>
> Provided, further, That such portion of net income used to reduce their distribution wheeling charges shall not exceed fifty percent (50%) of the net income derived from such undertaking: Provided, finally, That separate accounts are maintained for each business undertaking to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business";

WHEREAS, Section 36 of the EPIRA mandated the filing by all distribution utilities (DUs) of their respective applications for unbundling of rates;

WHEREAS, on various dates, the Commission has resolved and decided the unbundling applications of the DUs;

WHEREAS, in the aforementioned Decisions, the Commission deducted from the supply, metering and/or distribution function of their respective revenue requirements, the 50% of the total Prompt Payment Discount (PPD) on the National Power Corporation (NPC) bills for generation and transmission which the DUs availed of in the Year 2000.

WHEREAS, the Commission recognizes the fact that DUs may or may not be able to avail of the PPD;

WHEREAS, the Commission in adopting the "Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates of Distribution Utilities" considered the aforementioned fact;

WHEREAS, under the abovementioned Guidelines, distribution utilities were allowed to pass on to their customers 50% of the said PPD only if they were able to avail of the same, otherwise, nothing is required to be passed on to the customers;

WHEREAS, pursuant to its mandate to fix reasonable rates under Section 43 (f) of the EPIRA, the Commission deems it prudent to reinstate the previously deducted 50% of the said PPD in the approved revenue requirements of the DUs who availed of the same;

NOW, WHEREFORE, BE IT RESOLVED AS IT IS HEREBY RESOLVED that the commission hereby allows

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the reinstatement of the amount corresponding to fifty percent (50%) of the said total Prompt Payment Discount previously deducted from the approved revenue requirements of the Distribution Utilities.

The reinstatement of the said amount of the PPD shall be made by adding it back to the distribution, metering and/or supply function of the unbundled rates, or from wherever it was deducted in the approved revenue requirements of the DUs.

The allocation factor used to spread out the Other Revenue Items (ORI) containing the PPD, among the different customer classes in the unbundling of rates of the DUs shall be the same allocation factor that will be used in the reinstatement of the amount of the PPD that was previously deducted.

Likewise, the billing determinants used in the unbundling of rates of the DUs will be utilized in the determination of the final rate to be reinstated per customer class under the distribution, metering and/or supply function of their respective revenue requirements.

In consideration of the foregoing, the Commission shall determine the amount to be reinstated per DU and the resulting rates therefrom and shall issue the appropriate Orders containing the same as well as its effectivity.

This Resolution shall take effect immediately.

SO ORDERED.

Adopted: 20 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

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