

RESOLUTION CLARIFYING THE POLICY ON THE TREATMENT OF KWH COMPANY USE BY DISTRIBUTION UTILITIES

ERC RESOLUTION NO. 11, S. 2010, May 06, 2010

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WHEREAS, in Resolution No. 17, series of 2008, the Energy Regulatory Commission (ERC) resolved that, effective January 2010:

“The actual company use (Administrative loss) shall be treated as an expense of the Distribution Utilities (DUs) in the following manner:

- a. For Private Utilities (PUs) under Performance Based Regulation (PBR), it shall be treated as Operation and Maintenance Expense in its next reset;
- b. For PUs that are yet to enter PBR, it shall be treated as Operation and Maintenance Expense in its PBR application; and
- c. For Electric Cooperatives (ECs), it shall be treated as Operation and Maintenance Expense in benchmarking methodology;”

WHEREAS, the ERC approved applications filed by certain PUs pursuant to the Rules for Setting of Distribution Wheeling Rates for Privately Owned Distribution Utilities Entering Performance Based Regulation (RDWR) wherein the Company Use (CU) was already treated as part of the Operation and Maintenance Expense in the calculation of the revenue requirement of the PUs.

WHEREAS, on different dates starting in January 2010, ERC provisionally approved applications of several grid-connected ECs to implement revised distribution, supply and metering charges pursuant to the Rules for Setting the Electric Cooperatives’ Wheeling Rates (RSEC-WR)/benchmarking methodology;

WHEREAS, the RSEC-WR applies only to grid-connected ECs;

WHEREAS, there are several ECs that are not grid-connected that filed with the ERC their applications for revised distribution, supply and metering charges;

WHEREAS, to ensure the DUs’ compliance to Resolution No. 17, series of 2008, it is necessary to clarify the formula in the computation of System Loss;

NOW, THEREFORE, the COMMISSION hereby RESOLVES to clarify the following:

1. For PUs under PBR, ECs under the RSEC-WR, and ECs that are not grid-connected but with final or provisionally-approved distribution, supply and metering charges, wherein CU was already incorporated/treated as part of the Operation and Maintenance Expenses;

- a. The kilowatt-hour (kWh) Sales, as reported to the ERC, shall be inclusive of the actual kWh CU, which shall be used in the computation of the DU’s generation, transmission, system loss, lifeline and other charges covered by automatic adjustments;
- b. The formula for kWh System Loss shall be the difference between kWh Purchased/Generated and kWh

Sales (inclusive of actual kWh CU); and

2. For DUs not covered by item 1, they shall continue observing the existing kWh Sales reporting and computation of generation, transmission, system loss, lifeline and other charges covered by automatic adjustments.

This Resolution shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the country. This Resolution is hereby ordered to be posted on the ERC website and filed with the University of the Philippines Law Center Office of the National Administrative Register (ONAR).

(SGD.) ZENaida G. CRUZ-DUCUT

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Commissioner

(SGD.) ALEJANDRO Z. BARIN

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(SGD.) MARIA TERESA A.R. CASTANEDA

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