

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE APPLICATION FOR APPROVAL OF OVER/UNDER RECOVERIES BASED ON THE FORMULA ON THE VARIOUS AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS AND CORRESPONDING CONFIRMATION PROCESS FOR THE PERIOD 2023 TO 2025 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, RESOLUTION NO. 2, SERIES OF 2021, AND RESOLUTION NO. 14, SERIES OF 2022**

**ERC CASE NO. 2026 - 037 CF**

**April 30, 2026**

**NUEVA ECIJA II ELECTRIC COOPERATIVE, INC. – AREA 1 (NEECO II – AREA 1),**

*Applicant.*

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**APPLICATION**

Applicant Nueva Ecija II Electric Cooperative, Inc. – Area 1 (NEECO II – AREA 1), by and through the undersigned counsel, and unto this Honorable Commission most respectfully states:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Calipahan, Talavera, Nueva Ecija, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. NELSON M. DELA CRUZ, of legal age, Filipino, and with office address also at NEECO II – AREA 1 main office;

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the following city and municipalities in the province of Nueva Ecija, namely: Talavera, Aliaga, Quezon, Licab, Sto. Domingo, Guimba, Talugtug, Lupao, Carranglan and Science City of Munoz;
3. Pursuant to Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act (EPIRA), Distribution Utilities (DUs), such as Applicant, are allowed to recover just and reasonable costs to enable them to operate viably. On 13 July 2009, the Energy Regulatory Commission (“ERC”) promulgated Resolution No. 16, Series of 2009 entitled “A Resolution Adopting the Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities,” which established a systematized confirmation process for the automatic cost adjustments implemented by the DUs and the true-up of pass through charges as approved by the ERC to ensure, among other things, appropriate recovery of adjustment and pass through costs in an efficient and transparent process.
4. Subsequent thereto, the Honorable Commission in its Resolution No. 21, Series of 2010 entitled “A Resolution Amending Section 4 of Article 4 and Section 1 Article 5 of the Rules Governing the Automatic Cost Adjustment and True-Up Mechanism and Corresponding Confirmation Process for Distribution Utilities” amended, among other things, the formula in calculating for System Loss Rate Over/Under Recovery. This was followed by Resolution No. 23, Series of 2010, which provided further guidelines and refinements in the implementation of the automatic cost adjustment and true-up mechanisms, including the treatment and confirmation process of various pass-through charges.
5. Thereafter, the ERC issued Resolution No. 2, Series of 2021, which introduced additional guidelines on the recovery of pass-through costs, including pass-through taxes, and clarified the procedures for their confirmation to ensure regulatory compliance and proper cost recovery by Distribution Utilities.
6. Lastly, the ERC then issued Resolution No. 14 Series of 2022 which is a “Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities.” The revised rules basically introduced amendments or changes to the existing rules to ensure appropriate recovery of various pass-through cost in an efficient manner.

7. Nonetheless, despite the revisions, the said resolution still requires the filing of an application for Triennial Review. Accordingly, for Luzon DUs, the period for filing is set on or before March 31, 2026 for the adjustments implemented for January 2023 to December 2025.
8. Applicant NEECO II – AREA 1 hereby submits its proposed application for approval of automatic cost adjustment and true-up mechanisms and corresponding confirmation process pursuant to the aforesaid resolutions, as well as the attached summary of computations and actual calculations of (over)/under recoveries for 2023 to 2025, duly marked as **Annex “A”**, and form as part and parcel of this application;
9. The summary of Actual Revenue vis-à-vis allowed Cost Recoveries and (Over)/Under Recoveries for Generation, Transmission, System Loss, Lifeline, Senior Citizen Rates, and Recovery on Pass-through Taxes are as follows, to wit:

<b>Particulars</b>	<b>Allowable Cost (Php)</b>	<b>Revenue (Php)</b>	<b>(Over)/Under Recovery (Php)</b>
Generation Rate (GR)	<b>5,022,602,896.60</b>	<b>5,041,144,815.17</b>	<b>(18,541,918.57)</b>
Transmission Rate (TR)	<b>1,055,512,963.75</b>	<b>1,057,188,350.78</b>	<b>(1,675,387.03)</b>
System Loss Rate (SLR)	<b>567,940,827.81</b>	<b>572,767,673.99</b>	<b>(4,826,846.18)</b>
Lifeline Subsidy	<b>7,228,264.78</b>	<b>8,089,314.44</b>	<b>(861,049.66)</b>
Senior Citizen Subsidy	<b>70,410.70</b>	<b>68,694.38</b>	<b>1,716.32</b>
Local Franchise Tax • Science City of Muñoz • Provincial Capitol, (Talavera, Talugtug, Sto. Domingo, Lupao, Guimba, Quezon, Carranglan, Aliaga, and Licab)	<b>1,142,776.67</b> <b>4,041,362.56</b>	<b>1,072,377.83</b> <b>3,755,806.79</b>	<b>70,368.84</b> <b>285,555.77</b>
Business Tax • Talavera • Science City of Muñoz • Talugtug • Sto. Domingo • Lupao • Guimba • Quezon • Carranglan • Aliaga • Licab	<b>1,315,577.20</b> <b>2,328,303.32</b> <b>191,450.34</b> <b>518,102.90</b> <b>466,382.81</b> <b>745,258.96</b> <b>274,751.05</b> <b>160,018.00</b> <b>606,368.31</b> <b>146,838.40</b>	<b>1,237,914.35</b> <b>2,172,473.34</b> <b>193,088.49</b> <b>483,596.95</b> <b>426,881.66</b> <b>692,323.28</b> <b>256,217.32</b> <b>138,545.30</b> <b>560,526.55</b> <b>136,485.38</b>	<b>77,662.85</b> <b>155,829.98</b> <b>(1,638.15)</b> <b>34,505.95</b> <b>39,501.15</b> <b>52,935.68</b> <b>18,533.73</b> <b>21,472.70</b> <b>45,841.76</b> <b>10,353.02</b>
Real Property Tax	<b>2,241,831.91</b>	<b>1,264,273.01</b>	<b>977,558.90</b>
<b>Net Results</b>	<b>6,667,534,356.07</b>	<b>6,691,649,359.01</b>	<b>(24,115,002.94)</b>

10. The over/under recoveries on the **Generation Rate** of NEECO II – Area 1 are attributable to the following:
  - a. Timing Difference - In the determination of the recoverable cost, NEECO II – Area 1 utilized actual monthly data. However, in the

computation of the implemented Generation Rate, or the rate passed on to its Member-Consumer-Owners (MCOs), NEECO II – Area 1 used data from the immediately preceding month, in accordance with the prescribed formula under existing rules of the Energy Regulatory Commission (ERC).

By way of illustration, the Generation Rate reflected in the January 2023 billing was based on the December 2022 power bill, while the confirmation process utilized the actual January 2023 power bill.

b. Variations in Energy Sales - Any increase or decrease in kWh sales during a given billing period directly affects the resulting recoverable cost, thereby contributing to over or under recoveries.

11. The over/under recoveries on the **Transmission Rate** of NEECO II – Area 1 are attributable to the following:

a. Timing Difference - In the computation of the implemented Transmission Rate, NEECO II – Area 1 utilized prior month data in determining the charges billed to consumers. Conversely, in the computation of the recoverable cost, actual data for the relevant billing month were used.

For instance, the Transmission Rate reflected in the January 2023 billing was based on December 2022 data, while the confirmation utilized actual January 2023 figures.

b. Variations in Demand and Energy Sales - Fluctuations in kWh sales for Residential and Low Voltage consumers, as well as variations in kW demand for High Voltage consumers, directly affect the resulting recovery levels.

12. The over/under recoveries on the **System Loss Rate** of NEECO II – Area 1 are attributable to the following:

a. Interdependence of Cost Components - Variations in Generation and Transmission Costs, which are principal components in the computation of the System Loss Rate pursuant to ERC Resolution No. 16, Series of 2009, directly impact the resulting recoveries.

b. Difference in Methodology - In the computation of the implemented System Loss Rate, the Annualized System Loss is calculated on a monthly basis using a rolling twelve (12)-month dataset of kWh purchased and kWh sold, which is then applied in determining the monthly gross-up factor.

On the other hand, in the computation of the recoverable cost, the Annualized System Loss is determined on a yearly basis using actual

data for the entire calendar year, and such annualized figure is applied in the confirmation of the gross-up factor.

Accordingly, implemented rates are based on rolling prior-period data, whereas confirmation is based on actual data covering January to December of the relevant year.

13. The over/under recoveries on the **Lifeline Rate** of NEECO II – Area 1 are attributable to the following:
  - a. Implementation of Revised Lifeline Policy - The implementation of Joint ERC-DOE-DSWD Resolution No. 01, Series of 2022, pursuant to Republic Act No. 11552, resulted in a significant reduction in the Lifeline subsidy. Under said policy, only qualified residential consumers who have applied and have been duly validated are entitled to receive the Lifeline discount.
  - b. Mismatch Between Subsidy Collection and Disbursement - The subsidy collected from non-lifeline consumers may not be commensurate with the discounts granted to qualified lifeline beneficiaries due to monthly variations in consumption levels and kWh sales. Moreover, implemented rates are based on prior month data, whereas recoverable subsidies are based on actual monthly data.
  - c. Variations in Energy Sales. Any fluctuation in kWh sales during the billing period affects the amount of subsidy required and recovered, thereby resulting in over or under recoveries.
14. The over/under recoveries on the **Senior Citizen Rate** of NEECO II – Area 1 are attributable to the following:
  - a. Timing Lag - In the computation of the implemented Senior Citizen subsidy rate, NEECO II – Area 1 utilized prior month kWh sales, whereas the recoverable subsidy was determined using actual monthly data, resulting in discrepancies between amounts recovered and amounts required.
  - b. Continuous Implementation of Discounts - NEECO II – Area 1 continuously implements the mandated Senior Citizen discount to all qualified beneficiaries in accordance with existing laws, rules, and regulations.
  - c. Variations in Energy Sales - Changes in kWh sales across billing periods affect the total subsidy requirement, thereby contributing to over or under recoveries.
15. The over/under recoveries on the **Pass-through Taxes**, particularly **Business Tax**, **Real Property Tax**, and **Franchise Tax**, of NEECO II – Area 1 are attributable to the mismatch between forecasted and actual

energy sales. The implemented pass-through tax rates were based on projected billing determinants, including estimated energy sales and revenues; however, actual consumption and revenues for the period 2023–2025 deviated from these projections. Considering that the computation of said taxes is directly linked to gross receipts while recovery is anchored on forecasted values, any variance between forecasted and actual figures necessarily resulted in corresponding over- or under-recoveries.

16. In support of this application, herein applicant attached the following required documents contained in the guidelines issued by the Honorable Energy Regulatory Commission, to wit:

- a. Verification and Certification of Non-Forum Shopping;
- b. Secretary Certificates/Board Resolution Nos. 03-08-2026 and 03-10-26, Series of 2026;
- c. Folder A: Under/Over Recoveries Computation
  1. Summary of Over/Under Recoveries
  2. Proposed Refund/Collection Scheme
- d. Folder B: Supplier and Transmission Data
  1. Power Supplier Bills and Proof of Payment
  2. NGCP Bills, Proof of Payment and Other Transmission Supporting Documents
  3. Contestable Consumers Certification
- e. Folder C: Statistical Data
  1. Summary of Pilferage Cost Recoveries
  2. MFSR - Sections B & E
  3. Demand (kW) Sales Report
- f. Folder D: Actual Implemented Rates
  1. Consumer Bills – Non-Lifeliners
  2. Consumer Bills - Lifeliners
  3. Consumer Bills - Senior Citizen
- g. Folder E: Other Documents
  1. Uniform Reportorial Requirements (URR) with Addendum
  2. Power Supply Contracts with Generation Companies

## **PRAYER**

**WHEREFORE**, premises considered, applicant Nueva Ecija II Electric Cooperative, Inc. – Area 1 (NEECO II – AREA 1) respectfully prays of this Honorable Commission that, after due notice and hearing, this application be



**VERIFICATION AND CERTIFICATION  
OF NON-FORUM SHOPPING**

I, ENGR. NELSON M. DELA CRUZ, of legal age, Filipino, married, and with office address at Nueva Ecija II Electric Cooperative, Inc. (NEECO II – AREA 1), Brgy. Calipahan, Talavera, Nueva Ecija, Philippines, after having been duly sworn to in accordance with the law, hereby depose and state:

1. That I am the General Manager of Nueva Ecija II Electric Cooperative, Inc. (NEECO II – AREA 1) and duly authorized by the Board of Directors to file or cause the filing of this Application with the Energy Regulatory Commission (ERC), as evidence by the Secretary Certificate/Board Resolution No. 03-10-2026, Series of 2026, hereto attached as **Annex “B”**;
2. That I caused the preparation of the foregoing Application;
3. That I have read the foregoing Application and I attest that the allegations therein are true and correct of my personal knowledge and based on authentic records of NEECO II – AREA 1;
4. The foregoing Application is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;
5. The factual allegations in the foregoing Application have evidentiary support, or it specifically so identified, will likewise have evidentiary support after a reasonable opportunity for discovery;
6. That I further attest that NEECO II – AREA 1 has not theretofore commenced any action or filed any claim involving the same issues and parties in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
7. That if I should hereinafter learn that the same or similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals, or any court, tribunal, or quasi-judicial agency, I shall report the fact within five (5) days from discovery thereof to the Honorable Commission.

**IN WITNESS WHEREOF**, I have set my hand and affixed my signature this MAR 30 2026, in Talavera, Nueva Ecija, Philippines.

[Redacted Signature]  
NELSON M. DELA CRUZ  
Affiant

**SUBSCRIBED AND SWORN** to before me this MAR 30 2026, in Talavera, Nueva Ecija, Philippines, affiant exhibited to his Driver’s License (ID) No. C05-97-105070 valid until March 14, 2033.

Doc. No. ATN ;  
Page No. 23 ;  
Book No. XV ;  
Series of 2026.



[Redacted Signature]  
**ATTY. RAY WILSON C. TOLENTINO**  
Notary Public for and in the Science City of Muñoz,  
Municipalities of Talavera and Sto. Domingo, Nueva Ecija  
Notarial Commission Serial No. SD2025-07  
Valid until December 31, 2026  
Talavera, Nueva Ecija, Philippines  
Roll of Attorney's No. 83482; June 8, 2022; Manila  
IBP O.R. No. INV560950; November 25, 2025; Pasig City  
PTR No. TLV0538751; January 5, 2026; Nueva Ecija  
MCLE Compliance No. VIII-0010893; July 17, 2024; Pasig City

**EXPLANATION OF FILING  
BY ELECTRONIC MEANS**

Filing of the foregoing **Application** will be made by electronic means pursuant to ERC Resolution No. 9, Series of 2020.



**ARNIDO O. INUMERABLE**