

[ERC RESOLUTION NO. 16, SERIES OF 2009, July 13, 2009]

**A RESOLUTION ADOPTING THE RULES GOVERNING THE
AUTOMATIC COST ADJUSTMENT AND TRUE-UP MECHANISMS
AND CORRESPONDING CONFIRMATION PROCESS FOR
DISTRIBUTION UTILITIES**

WHEREAS, pursuant to Section 43 (t) of Republic Act No. 9136, the Energy Regulatory Commission (ERC) is mandated to promulgate rules and regulations and perform such other regulatory functions as are appropriate and necessary in order to ensure the successful restructuring and modernization of the electric power industry;

WHEREAS, the ERC has adopted several automatic cost adjustment mechanisms in separate issuances and it is deemed ideal to consolidate, update, and rationalize the requirements under all these separate issuances;

WHEREAS, the ERC finds it necessary to establish a systematized confirmation process that conforms to the due process requirement of the law for the following automatic cost adjustment and true-up mechanisms:

1. Automatic Generation Rate and System Loss Adjustment Mechanism;
2. Transmission Rate Adjustment Mechanism;
3. Lifeline Rate Recovery Mechanism;
4. Local Franchise Tax Recovery Mechanism;
5. Local Business Tax Recovery Mechanism;
6. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of Lifeline Rates by Distribution Utilities;
7. Guidelines for a True-up Mechanism of the Over or Under Recovery in the Implementation of Inter-Class Cross Subsidy Removal by Distribution Utilities;
8. ERC Resolution No. 12, Series of 2005, " A Resolution Approving a New Policy on the Treatment of Prompt Payment Discount (PPD)";
9. Guidelines for the Calculation of the Over or Under Recovery in the Implementation of System Loss Rate by Distribution Utilities; and
10. Rules for the Calculation of the Over or Under Recovery in the Implementation of Transmission Rates.

WHEREAS, on November 22 and 25, 2008, the ERC conducted public consultations for the adoption of the proposed Rules Governing the Automatic Cost Adjustment and True-up Mechanisms and Corresponding Confirmation Process for Distribution Utilities;

NOW THEREFORE, the ERC, after considering the various views and comments submitted by all interested parties, hereby RESOLVES, as it is hereby RESOLVED, to APPROVE and ADOPT, *the Rules Governing the Automatic Cost Adjustment and*