

[ERC CASE NO. 2005-09 RM, July 08, 2005]

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

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

$$\text{LRA} = \frac{\text{Total lifeline Rate Adjustment}}{\sum_{i=1}^n \text{kWh}_{\text{NLI}_i}}$$

$$\text{Total Lifeline Rate Adjustment} = \sum_{i=1}^n (\text{Total Subsidy}_i - \text{Total discount}_i)$$

where:

$$i = \text{month 1, month 2, ... month } n$$

$$\text{Total Subsidy}_i = \text{kWh}_{\text{NLI}_i} \times \text{LSC}$$

$$\text{Total Discount}_i = [(\text{kWh}_{1i} \times \text{TRate}_i) + (\text{NCust}_{2i} \times \text{PhP5/cust})] \times D_i +$$

$$[(\text{kWh}_{2i} \times \text{TRate}_i) + (\text{NCust}_{7i} \times \text{PhP5/cust})] \times D_2 +$$

$$[(\text{kWh}_{3i} \times \text{TRate}_i) + (\text{NCust}_{3i} \times \text{PhP5/cust})] \times D_3 +$$

.... +

$$[(\text{kWh}_{\text{Ni}} \times \text{TRate}_i) + (\text{NCust}_{\text{Ni}} \times \text{PhP5/cust})] \times D_N$$

$$\text{kWh}_{\text{NLI}} = \text{Total kWh Sales of the non-lifeline customers for the month } i$$

LSC	= Lifeline Rate to non-lifeline customers (as provided in the Unbundling Decision of the DU)
kWh _{1i}	= Total kWh sales for the first lifeline level (e.g. 0-1.5 kWh) for the month i
kWh _{2i}	= Total kWh sales for the second lifeline level (e.g. 16-20 kWh) for the month i
kWh _{3i}	= Total kWh sales for the third lifeline level (e.g. 21-25 kWh) for the month i
kWh _{Ni}	= Total kWh sales for the last lifeline level (e.g. 25-30 kWh) for the month i
TRate _i	= 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
NCust _{1i}	= Total number of customer for the first lifeline level for the month i
NCust _{2i}	= Total number of customers for the second life line level for the month i
NCust _{3i}	= Total number of customers for the third lifeline level for the month i
NCust _{ni}	= Total number of customers for the last lifeline level for the month i
PhP5.00/cust/mo.	= Fixed metering charge for residential customers
D ₁	= Discount rate for the first lifeline level
D ₂	= Discount rate for the second lifeline level
D ₃	= Discount rate for the third lifeline level