Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE APPLICATION: (A) TO CONFIRM THE GENERATION RATE OVER/UNDER RECOVERY (GOUR); TRANSMISSION RATE OVER/UNDER RECOVERY (TOUR); SYSTEM LOSS RATE OVER/UNDER RECOVERY (SLOUR); LIFELINE SUBSIDY OVER/UNDER RECOVERY (LSOUR); SENIOR CITIZEN SUBSIDY OVER/UNDER RECOVERY (SCSOUR) PASS-THROUGH CHARGES AND REAL PROPERTY AND LOCAL FRANCHISE PASS-THROUGH TAXES OVER/UNDER RECOVERY (RPTOUR AND LFTOUR) FROM JANUARY 2023 TO DECEMBER 2025; AND (B) FOR AUTHORITY TO REFUND/RECOVER CONFIRMED OVER/UNDER RECOVERIES, WITH PRAYER FOR PROVISIONAL AUTHORITY AND/OR INTERIM RELIEF,

ERC CASE NO. 2026-015 CF

MANILA ELECTRIC COMPANY (MERALCO),

Applicant.
x----------x

Promulgated:
May 6, 2026

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 08 April 2026, Manila Electric Company (MERALCO) filed an *Application* dated 30 March 2026, seeking the Commission's approval and confirmation of: (a) its Generation Rate Over/Under Recovery (GOUR), Transmission Rate Over/Under Recovery (TOUR), System Loss Rate Over/Under Recovery (SLOUR), Lifeline Subsidy Over/Under Recovery (LSOUR), Senior Citizen Subsidy Over/Under Recovery (SCSOUR) Pass-Through Charges, Real Property and Local Franchise Pass-Through Taxes Over/Under Recovery (RPTOUR and LFTOUR), from January 2023 to December 2025; and (b) the authority to refund/recover confirmed over/under recoveries, with prayer for provisional authority and/or interim relief.

The docketed copy of the *Application,* excluding its annexes, is attached as Annex "A" of the *Notice of Virtual Hearing*.

The Commission hereby sets the instant *Application* for hearing for the determination of compliance with jurisdictional requirements, expository presentation, and Pre-Trial Conference[1] on **17 June 2026 (Wednesday) at nine o'clock in the morning (9:00 A.M.), through Microsoft Teams Application**, as the online platform for the conduct thereof, pursuant to the pertinent rules of the Commission.

Accordingly, Applicant is hereby directed to mirror the virtual hearings, to be hosted by the Commission, at **MERALCO's principal office at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City,** as the designated venue for the conduct thereof and ensure that the same is open to the public. Moreover, Applicant shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least **one (1) calendar day** prior to the scheduled initial virtual hearing, via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission

[1] Summary Proceedings pursuant to the Commission's Resolution No. 16, Series of 2025.

via e-mail at docket@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene **at least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case, and state the following:

1) The petitioner's name, mailing address, and e-mail address;

2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and

3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon **at least five (5) calendar days** prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

1) The name, mailing address, and e-mail address of the person;

2) A concise statement of the Opposition or Comment; and

3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgement receipt e-mail sent by the Commission.

Finally, all interested persons may be allowed to join the scheduled virtual hearings by providing the Commission, through legal.virtualhearings@erc.ph, their respective e-mail addresses, indicating therein the case number of the instant *Application*. The

Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **FRANCIS SATURNINO C. JUAN** and the Honorable Commissioners **FLORESINDA G. BALDO-DIGAL**, **MARKO ROMEO L. FUENTES**, **AMANTE A. LIBERATO** and **PARIS G. REAL**, Energy Regulatory Commission, in Pasig City.

FOR AND BY AUTHORITY OF THE COMMISSION:

Maria Corazon C. Gines

ATTY. MARIA CORAZON C. GINES[*]
Director III, Legal Service

LS: JRDS/VMA/MVM

[*] Authority granted during Commission Meeting on 20 August 2025.

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Exquadra Tower, Ortigas Center
Pasig City

IN THE MATTER OF THE APPLICATION: (A) TO CONFIRM THE GENERATION RATE OVER/UNDER RECOVERY (GOUR); TRANSMISSION RATE OVER/UNDER RECOVERY (TOUR); SYSTEM LOSS RATE OVER/UNDER RECOVERY (SLOUR); LIFELINE SUBSIDY OVER/UNDER RECOVERY (LSOUR); SENIOR CITIZEN SUBSIDY OVER/UNDER RECOVERY (SCSOUR) PASS-THROUGH CHARGES AND REAL PROPERTY AND LOCAL FRANCHISE PASS-THROUGH TAXES OVER/UNDER RECOVERY (RPTOUR AND LFTOUR) FROM JANUARY 2023 TO DECEMBER 2025; AND (B) FOR AUTHORITY TO REFUND/RECOVER CONFIRMED OVER/UNDER RECOVERIES, WITH PRAYER FOR PROVISIONAL AUTHORITY AND/OR INTERIM RELIEF,

ERC CASE NO. 2026-015 CF

April 08, 2026

MANILA ELECTRIC COMPANY (MERALCO),
Applicant.
x----------x

APPLICATION

Applicant **MANILA ELECTRIC COMPANY** ("**MERALCO**"), by counsel, respectfully states that:

1. MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address indicated herein.

2. MERALCO has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to *Republic Act No. 9209*, as subsequently renewed under *Republic Act No. 12146*.

3. *Republic Act No. 9136*, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA"), allows Distribution Utilities ("DUs"), such as MERALCO, to recover just and reasonable costs to enable them to operate viably.

4. Under Article 6, Section 2 of *ERC Resolution No. 14, Series of 2022*,[1] all DUs must file their consolidated application every three (3) years to confirm over/under recoveries on pass-through charges. Under Article IV, Sections 4.2 and 4.3 of *ERC Resolution No. 2, Series of 2021*,[2] the consolidated application must include confirmation of the over/under recoveries in Real Property Taxes ("RPT") and Local Franchise Taxes ("LFT").

5. This *Application* includes over/under recoveries of the following pass-through costs and taxes: (a) Generation Rate Over/Under Recovery (G_{OUR}); (b) Transmission Rate Over/Under Recovery (T_{OUR}); (c) System Loss Rate Over/Under Recovery (SL_{OUR}); (d) Lifeline Subsidy Over/Under Recovery (LS_{OUR}); (e) Senior Citizen Subsidy Over/Under Recovery (SCS_{OUR}); (f) Real Property Tax Over/Under Recovery (RPT_{OUR}) and (g) Local Franchise Tax Over/Under Recovery (LFT_{OUR}) for the period from January 2023 until December 2025, summarized as follows:

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[1] Entitled, "*A Resolution Adopting the Revised Rules Governing the Automatic Cost Adjustment and True-Up Mechanisms and Corresponding Confirmation Process for Distribution Utilities.*"

[2] Entitled, "*A Resolution on the Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of the Distribution Utilities.*"

(OVER)/UNDER RECOVERIES IN PASS-THROUGH COSTS AND TAXES
(January 2023 to December 2025)

	(Over)/Under Recoveries Amount in PhP
Generation (G_{OUR})	559,730,723.54
Transmission (T_{OUR})	(189,005,936.61)
System Loss (SL_{OUR})	(85,448,658.95)
Lifeline Subsidy (LS_{OUR})	(6,071,851.16)
Senior Citizen Subsidy (SCS_{OUR})	244,569.63
RPT (RPT_{OUR})	157,043,747.19
Local Franchise Tax (LFT_{OUR})*	118,990,871.35

**Note: Consolidated amount; LFT_{OUR} varies per LGU*

Generation Rate Over/Under Recovery (G_{OUR})

6. Generation Rate over/under recovery occurs due to the lag in the recovery of generation costs from consumers. Basically, the generation rate in a current billing month is computed based on the generation cost incurred during the previous month, which is the supply month. Given the recovery lag and the monthly changing generation costs, over/under recoveries are expected as the generation cost for the current month is compared to the recoveries of the same month.

7. Using the formula provided in Section 2, Article 4 of *ERC Resolution No. 14, Series of 2022,* MERALCO determined that it has net under-recoveries in the Generation Charge in the amount of Five Hundred Fifty-Nine Million, Seven Hundred Thirty Thousand, Seven Hundred Twenty-Three and 54/100 Pesos (PhP559,730,723.54) for the period from January 2023 until December 2025.

Transmission Rate Over/Under Recovery (T_{OUR})

8. Transmission Rate over/under recovery occurs due to the lag in the recovery of the transmission costs from consumers. Basically, the transmission rates in a current billing month are computed based on the transmission cost incurred during the previous month, which is the supply month. Given the recovery lag and the monthly changing transmission costs, over/under recoveries are expected as the transmission cost for the current month is compared to the recoveries of the same month.

9. Using the formula provided in Section 3, Article 4 of *ERC Resolution No. 14, Series of 2022,* MERALCO determined that it has net over-recoveries in the Transmission Charge in the amount of One Hundred Eighty-Nine Million, Five Thousand, Nine Hundred Thirty-Six

and 61/100 Pesos (PhP189,005,936.61) for the period from January 2023 until December 2025.

System Loss Rate Over/Under Recovery (SLOUR)

10. System Loss Rate over/under recovery mainly occurs due to the difference between the actual average cost of system loss for a given year and the sum of the actual monthly system loss recoveries for that same year. Since the monthly system loss rates were computed using the previous month's average generation and transmission costs, and the latest 12-month moving system loss percentage (%), any difference from the actual annual data will result either in an over or under recovery in system loss. As MERALCO's annual system loss for 2023 to 2025 is already below the cap set by this Honorable Commission, the basis of its allowable system loss is its actual system loss for a given year.

11. Using the formula provided in Section 4, Article 4 of *ERC Resolution No. 14, Series of 2022*, MERALCO determined that it has net over-recoveries in the System Loss Charge in the amount of Eighty-Five Million, Four Hundred Forty-Eight Thousand, Six Hundred Fifty-Eight and 95/100 Pesos (PhP85,448,658.95) covering the period from January 2023 until December 2025.

Lifeline Subsidy Over/Under Recovery (LSOUR)

12. Lifeline Subsidy over/under recovery occurs due to the lag in the recovery of the lifeline discounts provided to the lifeline consumers. Basically, the lifeline subsidy charge in a current billing month is computed based on the lifeline discounts provided in the previous month. Given the recovery lag, over/under recoveries are expected as the lifeline discounts provided in the current month is compared to the lifeline subsidy recoveries from the non-lifeline consumers of the same month.

13. Using the formula provided in Section 5, Article 4 of *ERC Resolution 14, Series of 2022*, MERALCO determined a Lifeline Subsidy net over-recoveries in the amount of Six Million, Seventy-One Thousand, Eight Hundred Fifty-One and 16/100 Pesos (PhP6,071,851.16) covering the period from January 2023 until December 2025.

Senior Citizen Subsidy Over/Under Recovery (SCSOUR)

14. Senior Citizen Subsidy over/under recovery occurs due to the lag in the recovery of senior citizen discounts provided to senior citizen

consumers. Basically, the senior citizen subsidy charge in a current billing month is computed based on the senior citizen discounts provided in the previous month. Given the recovery lag, over/under recoveries are expected as the senior citizen discounts provided in the current month is compared to the senior citizen subsidy recoveries from non-senior citizen customers of the same month.

15. Using the formula provided in Section 6, Article 4 of *ERC Resolution No. 14, Series of 2022*, MERALCO determined a Senior Citizen Subsidy net under-recoveries in the amount of Two Hundred Forty-Four Thousand, Five Hundred Sixty-Nine and 63/100 Pesos (PhP244,569.63) covering the period from January 2023 until December 2025.

Real Property Over/Under Recovery (RPTOUR)

16. The over/under recovery in the RPT pass-through tax for RPT paid on machineries from January 2023 to December 2025 occurs due to the variance between the actual RPT paid to the applicable Local Government Units ("LGUs") and the RPT revenues billed to the customers for the period. Because the RPT pass-through rates are computed using forecasted sales, an over or under recovery naturally results when the actual accumulated RPT revenues – which depend on actual customer kWh consumption – are compared against the actual RPT amounts actually paid to the LGUs.

17. Using the formula provided in Section 4.2, Article IV of *ERC Resolution No. 2, Series of 2021*, MERALCO determined an RPT net under-recoveries in the amount of One Hundred Fifty-Seven Million, Forty-Three Thousand, Seven Hundred Forty-Seven and 19/100 Pesos (PhP157,043,747.19) covering the period from January 2023 until December 2025.

Local Franchise Tax Over/Under Recovery (LFTOUR)

18. The over/under recovery in the LFT pass-through tax occurs because of the difference between the actual LFT assessed by and paid to the respective LGUs and the LFT revenues for the same period. The LFT billed to customers is based on the applicable LFT rate per LGU multiplied to the current month's revenues from the customer. Meanwhile, the LFT paid to LGUs is based on previous year's revenues multiplied to the applicable LFT rate per LGU. When the actual LFT revenues billed to customers are compared to the actual LFT amounts paid, either an over or under recovery will result.

19. Using the formula provided in Section 4.3, Article IV of *ERC Resolution No. 2, Series of 2021*, MERALCO determined a consolidated LFT net under-recoveries in the amount of One Hundred Eighteen Million, Nine Hundred Ninety Thousand, Eight Hundred Seventy-One and 35/100 Pesos (PhP118,990,871.35) covering the period from January 2023 until December 2025.

20. Because the LFT is a local tax, this total amount represents the aggregate of individual over and under recoveries across the various LGUs imposing LFT across MERALCO's franchise area. The specific LFT true-up adjustment will vary on a per-LGU basis and will only be applied to the consumers located within the specific city or province where the localized variance occurred.

Consolidated Over/Under Recovery of Pass-Through Charges and Taxes

21. The refund/collection of the over/under recoveries shall be made to both captive and contestable customers in accordance with *ERC Resolution No. 16, Series of 2012*,[3] as amended/modified by *ERC Resolution No. 13, Series of 2024*.[4] Insofar as contestable customers are concerned, any generation over/under recoveries for the billing periods when they were still captive customers, will be refunded to and/or collected from them. These over/under recoveries shall be part of the DU's bill, as a separate line item, through the Retail Electricity Supplier ("RES")/Local RES/ Supplier of Last Resort currently serving the contestable customers. Considering that the eligible customers opted for contestability on different dates starting July 2013, such is taken into consideration in the implementation of the GOUR recovery/refund to these customers.

22. MERALCO proposes that: (a) G_{OUR}, T_{OUR}, SL_{OUR}, LS_{OUR}, RPT_{OUR} and LFT_{OUR} be recovered/refunded from/to its the customers for a period of twelve months (12) months; and (b) SCS_{OUR} be recovered to the customers for a period of one (1) month, or until fully refunded/collected.

23. The computed total amount of the net over/under recoveries and average refund/recovery rates based on the proposed amortization period is summarized below:

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[3] Entitled, *"A Resolution Adopting the Transitory Rules for the Implementation of Open Access and Retail Competition."*

[4] Entitled, *"A Resolution Adopting the Omnibus Rules for Customer Choice Programs in the Retail Market."*

Bill Component	Amount of (Over)/Under Recovery	Average (Refund)/ Recovery Rate (PhP/kWh)*	Proposed Amortization Period
GOUR	559,730,723.54	0.0161	12 months
TOUR*	(189,005,936.61)	(0.0036)	12 months
SLOUR*	(85,448,658.95)	(0.0016)	12 months
LSOUR	(6,071,851.16)	(0.0001)	12 months
SCSOUR	244,569.63	0.0001	1 month
RPTOUR	157,043,747.19	0.0030	12 months
LFTOUR**	118,990,871.35	0.0023	12 months

**Indicative average rates; For TOUR and SLOUR, rate will be charged per customer class.*
***Consolidated Amount. For LFTOUR, rate will be on a per LGU basis.*

24. The required supporting documents for the verification of the various pass-through costs and taxes have been previously provided to the Honorable Commission during MERALCO's prior Uniform Reportorial Requirements ("URR") and relevant compliance submissions. Pursuant to Section 2, Article 6 of *ERC Resolution No. 14, Series of 2022*, MERALCO is no longer resubmitting these voluminous records and has instead attached consolidated lists of these previously submitted documents to serve as proof of compliance as an integral part of this *Application*. In addition, MERALCO hereby submits the following documents in support of the *Application*:

ANNEX	DOCUMENT
A	Verification and Certification Against Forum Shopping
B	Computation details of the Generation over/under recovery (GOUR)
C	Computation details of the Transmission over/under recovery (TOUR)
D	Computation details of the System Loss over/under recovery (SLOUR)
E	Computation details of the Lifeline Subsidy over/under recovery (LSOUR)
F	Computation details of the Senior Citizen Subsidy over/under recovery (SCSOUR)
G	Computation details of the Real Property Tax over/under recovery (RPTOUR)
H	Computation details of Local Franchise Tax over/under recovery (LFTOUR) including the breakdown per LGU
I	Translation of the over/under recovery amounts into rates per kilowatt-hour or per kilowatt per customer class, as applicable
J and series	Supporting Documents on Generation, Transmission, System Loss and Statistics, Lifeline and Senior Citizen Subsidy Data, Actual Implemented Rates and Discounts, and OU Summary
K	Sworn Certification on Submission of Documents Related to Pass-Through Charges
L	Sworn Certification on Submission of Documents Related to Pass-Through Taxes
M	Judicial Affidavit of Rodelyn M. Soguilon

ALLEGATIONS IN SUPPORT OF PRAYER FOR PROVISIONAL AUTHORITY AND/OR INTERIM RELIEF

25. It is urgent that a provisional authority be immediately issued upon filing and pending hearing of the instant *Application*. MERALCO stresses that the costs covered by this *Application* are all pass-through costs and taxes which have already been paid to suppliers and the LGU, as may be applicable. MERALCO should neither earn any income nor incur any losses from the imposition of the same. Given the foregoing, it is incumbent upon MERALCO to recover/refund whatever amounts it billed for these valid pass-through costs and taxes.

26. In support of the instant *Application* and the prayer for provisional authority, attached hereto as ***Annex "M"*** and made integral part hereof is the *Judicial Affidavit* of one of MERALCO's witnesses, **MS. RODELYN M. SOGUILON**, Lead of Purchased Power and Other Pass-through Tariff at MERALCO's Tariff Management Office.

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that, the instant *Application* be **APPROVED** authorizing MERALCO to refund/recover to/from its customers, as applicable, the following amounts which represent the over/under recoveries for the generation, transmission, system loss, lifeline subsidy, and senior citizen subsidy as pass-through charges and RPT and LFT as pass-through taxes at the corresponding rate/kWh indicated in the table below and the proposed refund/recovery period.

Bill Component	Amount of (Over)/Under Recovery	Average (Refund)/ Recovery Rate (PhP/kWh)*	Proposed Amortization Period
G_{OUR}	559,730,723.54	0.0161	12 months
T_{OUR}	(189,005,936.61)	(0.0036)	12 months
SL_{OUR}	(85,448,658.95)	(0.0016)	12 months
LS_{OUR}	(6,071,851.16)	(0.0001)	12 months
SCS_{OUR}	244,569.63	0.0001	1 month
RPT_{OUR}	157,043,747.19	0.0030	12 months
LFT_{OUR}	118,990,871.35	0.0023	12 months

**Indicative average rates; For TOUR and SLOUR, rate will be on a per customer class; For LFTOUR, rate will be on a per LGU basis*

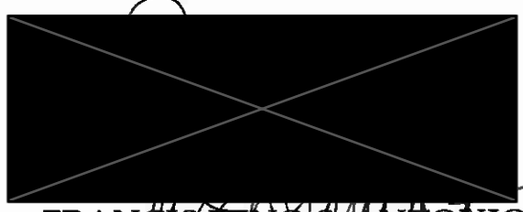
Pending hearing, MERALCO prays that a **PROVISIONAL AUTHORITY** be **ISSUED** authorizing MERALCO to collect/refund the over/under recoveries.

MERALCO prays for such other reliefs just and equitable under the premises.

Pasig City, 30 March 2026.

MANILA ELECTRIC COMPANY
Applicant
7th Floor, Lopez Building,
Ortigas Avenue, Barangay Ugong, Pasig City
Tel no. 1622-2260; Fax No: 1622-3550
Email: *regaffairs@meralco.com.ph*

By:



FRANCIS DINO S. ANTONIO
Roll of Attorneys No. 48145
PTR No. 4005311; 01/07/2026; Pasig City
IBP No. 575169; 12/29/2025; RSM
MCLE Compliance No. VIII-0008456; Valid until 14 April 2028

HAZEL ROSE B. SEE
Roll of Attorneys No. 48265
PTR No. 4005309; 01/07/2026; Pasig City
IBP No. 06460(LIFETIME); 01/16/07; QC
MCLE Compliance No. VIII-0008515; Valid until 14 April 2028

ISAGANI C. CORUÑA II
Roll of Attorneys No. 63123
PTR No. 4005316; 01/07/2026; Pasig City
IBP No. 575351; 12/29/2025; RSM
MCLE Compliance No. VIII-0029855; Valid until 14 April 2028

PENROSE ANN S. VALLES
Roll of Attorneys No. 80689
PTR No. 4005317; 01/07/2026; Pasig City
IBP No. 575266; 12/29/2025; RSM
MCLE Compliance No. VIII–0019060; Valid until 14 April 2028

JEDIDIAH JOSEPH D. SUPAN
Roll of Attorneys No. 95970
PTR No. 4005318; 01/07/2026; Pasig City
IBP No. 575333; 12/29/2025; Makati City
MCLE Compliance No. N/A - Admitted to the Bar in 2025