

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE INITIAL
DISTRIBUTION, SUPPLY,
AND METERING CHARGES
AND CORRESPONDING
RATE SCHEDULES, AND FOR
APPROVAL OF APPRAISAL
OF PROPERTIES, WITH
PRAYER FOR PROVISIONAL
AUTHORITY AND/OR
INTERIM RELIEF**

ERC CASE NO. 2024-144 RC

**SHIN CLARK POWER
CORPORATION (SCPC),**
Applicant.

X-----X

Promulgated:

September 18, 2025

DECISION

Before the Commission for resolution is the *Application*, dated 20 September 2024, filed by Shin Clark Power Corporation (SCPC) on 15 October 2024, seeking the Commission's approval of its initial distribution, supply, and metering charges and corresponding rate schedules, and the approval of appraisal of properties, with prayer for provisional authority and/or interim relief.

FACTUAL ANTECEDENTS

On 27 December 2024, the Commission issued an *Order* and a *Notice of Virtual Hearing*, both of even date, setting the instant *Application* for hearings on the following dates: (a) 20 February 2025 for the determination of compliance with the jurisdictional requirements and expository presentation; and (b) 27 February 2025 for the Pre-Trial Conference and presentation of evidence.

On 11 February 2025, SCPC filed its *Compliance (with Jurisdictional Requirements)*, dated 10 February 2025.

On 17 February 2025, SCPC filed its *Compliance*, dated 14 February 2025, attaching therewith its Expository Presentation.

During the 20 February 2025 hearing, only SCPC appeared. No intervenor or oppositor appeared, and neither was there any intervention nor opposition filed. At the said hearing, SCPC presented its compliance¹ with the posting and publication requirements. Upon finding the submissions of SCPC compliant with the Commission's *Order*, dated 27 December 2024, the Commission declared that it had acquired jurisdiction over the instant case.

Thereafter, SCPC conducted its expository presentation, through Mr. Jerry Marvin V. Jovero (Mr. Jovero), its Head of Revenue Management and Customer Service, who discussed under oath the following topics: (1) SCPC's Background; (2) Approach to DSM Rate Setting, particularly the formula, revenue requirement, billing determinant, and resulting distribution rates; (3) Proposed Distribution Rates; and (4) SCPC's Prayer. In the course thereof, the Commission propounded clarificatory questions.

On 20 February 2025, SCPC filed an *Urgent Motion for Issuance of Interim Relief*, dated 19 February 2025.

On 21 February 2025, SCPC filed its *Pre-Trial Brief* and the *Judicial Affidavit* of Mr. Jovero.

On 26 February 2025, SCPC filed a *Motion for Extension*, dated 25 February 2025, praying for the Commission to issue an *Order* allowing SCPC to file its compliance with the clarificatory questions together with its Formal Offer of Evidence.

During the 27 February 2025 hearing, only SCPC appeared. In the course of the Pre-Trial Conference, the Commission noted the proposed stipulation of facts, issues and documentary exhibits, and witnesses to be presented as found in the *Pre-Trial Brief* of SCPC.

Upon termination of the Pre-Trial Conference, the hearing proceeded with SCPC's presentation of evidence. SCPC presented Mr. Jovero as its witness. In the course of his direct examination, Mr.

¹ SCPC presented its *Jurisdictional Compliance*, including the publication of the *Notice of Virtual Hearing* in the newspaper issues of the Manila Standard dated 31 January 2025 and 07 February 2025, and the Business Mirror dated 31 January 2025 and 07 February 2025.

Jovero identified his *Judicial Affidavit*². Thereafter, the Commission directed SCPC to file its Formal Offer of Evidence (FOE).

On 14 March 2025, SCPC filed its *Formal Offer of Evidence*.

On 02 June 2025, SCPC filed a *Second Urgent Motion for Issuance of Interim Relief with Motion for Ocular Inspection*.

On 20 August 2025, SCPC filed a *Manifestation with Motion to Admit* dated 19 August 2025.

On 27 August 2025, SCPC filed a *Manifestation with Omnibus Motion (i) to Admit and (ii) for Confidential Treatment* dated 22 August 2025.

On 27 August 2025, the Commission issued an *Order*, of even date, denying the Motion for Confidential Treatment of Information.

The Commission found the exhibits contained in the *Formal Offer of Evidence* of SCPC to be relevant and material in the resolution of the case. Thus, the Commission admitted the same and declared the instant *Application* submitted for resolution.

ISSUE

The issue for the Commission's resolution is whether or not the proposed Revenue Requirement, Net Plant in Service as of 31 December 2023, and distribution, supply and metering rates, subject of the instant *Application*, should be approved.

THE COMMISSION'S RULING

After due deliberation, thorough evaluation of all the evidence submitted and all the information gathered, the Commission, pursuant to its regulatory powers, resolves to **APPROVE** the instant *Application* **WITH MODIFICATION**.

² Exhibit "N" of the *Formal Offer of Evidence*.

DISCUSSION

Section 36 of Republic Act No. 9136 (EPIRA) requires that each distribution utility shall file its revised rates for approval by the ERC. The distribution wheeling charge shall be unbundled from the retail rate, and the rates shall reflect the respective costs of providing each service. Such rates should be based on the data and calculations contained in the schedules prescribed in the Uniform Filing Requirements (UFR) issued by the Commission to promote consistency and completeness in the distribution utility rate filings required under EPIRA.

In compliance with the *Decision* dated 22 March 2023 in ERC Case No. 2022-015 MC (CPCN Decision), SCPC filed the appropriate rate application for its proposed initial distribution rates and rate schedules of its customers, including the appraised value of its properties.

SCPC billed its customers for the *Administrative Charge* and *Overhead Line Recovery Charge* which are allegedly equivalent to the distribution, supply, and metering charges agreed upon between SCPC and the Bases Conversion and Development Authority (BCDA) through a Joint Venture Agreement. However, in an *Order* dated 30 September 2024, under ERC Case No. 2024-063RC³, the Commission directed SCPC to discontinue charging the same until such time that its new unbundled DSM charge is filed and approved by the Commission. In this regard, on 15 October 2024, SCPC filed the instant *Application* for the approval of its new DSM charge.

Thereafter, on 24 July 2025, the Commission issued the *Notice of Resolution* allowing SCPC to impose the *Administrative* and *Overhead Line Recovery Charges* to its customers in the amount of PhPo.6690/kWh and PhPo.1830/kWh, respectively and collect the under-recovery for the uncollected *Administrative* and *Overhead Line Recovery Charges* from June 2024 to April 2025.

In the evaluation of the instant *Application*, the Commission took into consideration the documents, data, comments, and issues submitted by SCPC.

³ IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE SALE FOR RESALE AGREEMENT BY AND BETWEEN CLARK ELECTRIC DISTRIBUTION CORPORATION (CEDC) AND SHIN CLARK POWER CORPORATION (SCPC), WITH PRAYER FOR PROVISIONAL AUTHORITY, CLARK ELECTRIC DISTRIBUTION CORPORATION (CEDC) AND SHIN CLARK POWER CORPORATION (SCPC), Applicants.

1. DETERMINATION OF THE TOTAL REVENUE REQUIREMENT

Under a Return on Rate Base (RORB) Methodology, distribution rates are determined using the following formula:

$$\text{Rate} = \text{Revenue Requirement} / \text{Billing Determinant}$$

1.1 Test Year

The Commission finds SCPC's proposal to use the test year 2023 in accordance with the requirements to unbundle the components of the historical test year costs under Rule 15, Section 6 (c) of the Implementing Rules and Regulations (IRR) of R.A. 9136. Therefore, discussions and conclusions that follow are based on Schedule A, "Historical Cost by Function" (Cost of Service by Function-Historical Test Year).

The revenue requirement is the basis from which the rate for distribution services is derived. It sets the components of the revenue to which a distribution utility is entitled to charge its customers, as shown in the formula below:

$$\begin{aligned} & \textbf{Operating Expenses} \\ & (\text{Payroll} + \text{O \& M including taxes other than income tax}) \\ & \quad + \\ & \quad \textbf{Return on Capital} \\ & (\text{Net Plant in Service} + \text{Materials and Supplies} + \text{Cash Working} \\ & \quad \text{Capital}) \times \text{Rate of Return} \\ & \quad + \\ & \quad \textbf{Return of Capital} \\ & \quad (\text{Depreciation and Amortization}) \\ & \hline & \textbf{Revenue Requirement} \\ & \hline \end{aligned}$$

Table 1 shows the SCPC's proposed revenue requirement and the Commission's approved revenue requirement:

Table 1. Proposed vs Approved Revenue Requirement

Particulars	Proposed Revenue Requirement	Commission's Adjustments	Approved Revenue Requirement ⁴
Payroll	2,630,540	-181,986	2,448,554
Operation & Maintenance	18,163,586	2,943,990	21,107,576
Depreciation and Amortization	8,211,943	3,357,158.00	4,854,785
Income Taxes	-	-	0
Other Taxes (Taxes & Licenses)	4,644,603	-871,294	3,773,309
Return on Rate Base	23,368,712	-8,357,207.18	15,011,505
Total Revenue Requirement	57,019,384	-9,823,655	47,195,729
Billing Determinant (2025 Forecast kWh sales) ⁵	12,031,930		11,731,430
Overall Average Tariff Adjustment (PhP/kWh)	4.739		4.0230

Note: Test Year CY2023

Under the RORB methodology and utilizing the UFR based on Calendar Year (CY) 2023 as test year, SCPC proposed a total revenue requirement of **PhP57,019,384.00**. SCPC submitted its Audited Financial Statement (AFS) for the year 2023 to support the figures provided in its *Application*.

After considering a downward adjustment of **PhP9,823,655.00**, the total revenue requirement was reduced to **PhP47,195,729.00**. The adjustments made by the Commission will be discussed in the subsequent paragraphs on a per item basis.

2. OPERATING AND MAINTENANCE EXPENSES

2.1. Payroll

Based on SCPC's 2023 Audited Financial Statements, particularly the Statement of Comprehensive Income, it shows a breakdown of its proposed payroll, as follows:

Table 2. SCPC's Breakdown of Proposed Payroll

SCPC's Account	Amount (PhP)
Salaries, Wages and Employee Benefits	-
Basic/Regular Salaries	1,656,390.81
Overtime	468,272.35
13 th Month Pay	138,149.26
Vacation Leave	15,632.20
Sick Leave	-
SSS, Pag-ibig and Philhealth	143,608.16

⁴ Rounded off figures.

⁵ Annex B of the Manifestation with Motion to Admit dated August 19, 2025.

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Health Maintenance Plan	37,987.50
Rice Subsidy	26,500.00
Employee Allowances and Subsidies	144,000.00
Salaries, Wages and Employee Benefits	2,630,540.28

SCPC proposed a payroll of **PhP2,630,540.28**. However, the Commission's evaluation resulted in a downward adjustment amounting to PhP181,987.50. Thus, the approved payroll is PhP2,448,552.78, as shown below:

Table 3. ERC's Evaluation of SCPC's Payroll

SCPC's Account	Amount (PhP)	Allowed/ Disallowed	Justification
Basic/Regular Salaries	1,656,390.81	Allowed	Average monthly salary is below that of its neighboring DUs but above the minimum monthly average rate.
Overtime	468,272.35	Allowed	The average overtime of the 6 regular staff of SCPC is approximately PhP5,500 per month. SCPC complied with the rate of overtime work under Philippine Labor Code. SCPC's number of employees was found to be lower compared to a private DU of the same size.
13 th Month Pay	138,149.26	Allowed	Mandatory
Vacation Leave	15,632.20	Allowed	Mandatory, convertible to cash
Sick Leave	-	Allowed	Cannot be converted to cash
SSS, Pag-ibig and Philhealth	143,608.16	Allowed	Mandatory
Health Maintenance Plan	37,987.50	Disallowed	Not justified as essential to the provision of service
Rice Subsidy	26,500.00	Allowed	Given the low average monthly salary compared to SEZ and AEC, the minimal amount of rice subsidy of PhP1,000/month given to its regular staff/ employees is allowed.
Employee Allowances and Subsidies	144,000.00	Disallowed	Not supported by sufficient justification and documentation
TOTAL	2,630,540.28		

Table 4. ERC Adjustments on Payroll

Accounts	SCPC Proposal	Adjustments	ERC-Approved
Basic/Regular Salaries	1,656,390.81	0.00	1,656,390.81
Overtime	468,272.35	0.00	468,272.35
13 th Month Pay	138,149.26	0.00	138,149.26
Vacation Leave	15,632.20	0.00	15,632.20
Sick Leave	-	0.00	0.00
SSS, Pag-ibig and Philhealth	143,608.16	0.00	143,608.16
Health Maintenance Plan	37,987.50	-37,987.50	0.00
Rice Subsidy	26,500.00	0.00	26,500.00
Employee Allowances and Subsidies	144,000.00	-144,000.00	0.00
Salaries, Wages and Employee Benefits	2,630,540.28	-181,987.50	2,448,552.78

The Commission emphasizes at the outset that employee-related costs must always undergo the tests of necessity and reasonableness in order to determine whether they may be recovered through rates. The mere fact that an expense is a management prerogative does not automatically render it recoverable from consumers. By the same token, neither does it categorically mean disallowance. Rather, the determining factor is whether the expense is essential to the continued provision of regulated electricity distribution services and whether it is reasonable in amount when compared with industry standards.

In view of the foregoing, the Commission differentiates between (i) mandatory benefits, which are expressly required under the law and are thus recoverable as part of the cost of service, and (ii) discretionary benefits, which may only be recovered if clearly demonstrated to be both necessary and reasonable for the efficient operation of the utility.

a. Basic Salary

Below is a comparison of the monthly average salaries of SCPC's neighboring private distribution utilities for CY 2023:

Particulars	AEC	SEZ	CEDC	SCPC
Salaries and Wages (PhP)	116,343,029.00	56,157,334.00	16,258,171.00	1,656,390.81.00
No. of Employees	171.00	44.00	66.00	8.00
Average Monthly Salary (PhP)	56,697.38	106,358.59	20,527.99	17,254.07

As shown, SCPC's average monthly salary per employee (PhP17,254.20) is lower than most of its neighboring DUs. Given that SCPC is a newly established DU, it requires technically qualified staff to manage and operate its distribution facilities. To attract and retain such personnel, SCPC must ensure compensation levels that are at least competitive with prevailing market standards in the electricity distribution industry.

Accordingly, basic salaries and statutory benefits are recognized as recoverable, since they are directly tied to the core operations of the DU.

b. Health Maintenance Plans (HMPs)

The Commission resolves to disallow the inclusion of HMP expenses in SCPC's revenue requirement. While healthcare benefits may improve employees' welfare, they may not, in this case, be considered a necessary and reasonable expense for regulated distribution operations.

It must be emphasized, nonetheless, that the Commission does not categorically disallow all discretionary benefits simply because they are a management prerogative. If an applicant-utility can sufficiently establish that such benefits are indispensable to the provision of service—for example, where specialized technical staff cannot be retained without such benefits—then the same may be considered for recovery.

In the case of SCPC, however, the Commission finds no compelling justification, as SCPC failed to justify that HMPs are essential to the continued provision of distribution services. Accordingly, consistent with regulatory precedents such as ERC Case No. 2015-161RC (OEDC Rate Adjustment, Order dated 06 March 2018) and ERC Case No. 2009-067RC (CEDC Unbundled Rates, Decision dated 24 May 2010), the expense is disallowed from the revenue requirement. Should it wish to provide this benefit, the cost must be borne by SCPC from its own income, and not from regulated rates charged to consumers.

c. Employees Allowances and Subsidies

The Commission likewise reviewed SCPC's claim of **PhP144,000.00** for Employees Allowances and Subsidies. These items were not supported with adequate justification or documentation linking them to operational necessity.

Accordingly, the Commission disallows these allowances from recovery in the rates. This treatment is consistent with ERC Case No. 2015-161RC (OEDC) and ERC Case No. 2009-024RC (VECO), where unsupported allowances were similarly excluded.

It bears stressing, however, that allowances are not per se disallowed simply because they fall under management prerogative. Allowances that are demonstrably tied to operations, such as field travel, communication, uniforms, safety gear, may qualify as recoverable if adequately justified. In the present case, absent such proof, recovery from consumers cannot be permitted.

While employee compensation must remain fair and competitive to retain qualified personnel, non-mandatory and unsupported benefits and allowances cannot be shifted to consumers without a clear demonstration of necessity and reasonableness. This ensures regulatory consistency and consumer protection.

In view of the foregoing, the Commission adjusted SCPC's Payroll expense to PhP2,448,552.78, covering eight (8) filled-up positions, reflecting only the basic salaries and statutory benefits that are proven to be necessary, reasonable, and prudently incurred.

2.2 Operation and Maintenance (O&M) Expense

SCPC's proposed O & M of **PhP18,163,586.00**, is shown below:

Table 5. Proposed O & M

Particulars	Amount (PhP)
Total Distribution Expenses	7,885,356.00
Customer Accounts Expenses	1,346,909.00
Administrative & General Expenses	8,931,321.00
Proposed O & M	18,163,586.00

In general, operating expenses allowed are only those that are reasonably incurred in connection with business operations to yield revenue or income. These should be required or necessary in the operation of a utility, are recurring and should redound to the service or benefit of end-users.

DUs should be enjoined to incur only “prudent and reasonable costs” for inclusion in the determination of retail rates. While a distribution utility enjoys the benefit of passing its cost of purchased power and other reasonable costs to end-users, it is obligated as a public utility to ensure that its costs of operations including payroll are kept at a minimum. The distribution utility must bear in mind that its very nature is that of a service company for its end-users, with a mandate to advocate and transact judiciously for and on their behalf.

“Reasonable costs” is said to be the cost of goods and services which, while they may not be the lowest in price, need to be incurred with consideration of quality, efficiency, reliability and security, which are characteristics of the service delivered by the distribution utility. Prudent costs demand the utility to ensure that its purchases of goods and services are at their minimum, without sacrificing the foregoing characteristics.

In the course of evaluation, the Commission deducted a total amount of **PhP413,670.00** in the SCPC’s proposed O & M. Hence, the adjusted O & M account amounted to **PhP17,749,916.00** as follows:

Table 6. ERC’s Evaluation of SCPC’s O&M

Operations & Maintenance Expenses	Amount (PhP)		Justification
Professional Fees	12,711,815	Allowed	Include costs paid to external experts for specialized services that support business operations. Consultancy fees are paid to consultants who provide expert advice in areas like strategy, management, finance, or human resources, often for short-term projects or

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			specific business challenges. Audit fees are incurred for the services of external auditors who review and verify the company's financial statements for accuracy and compliance with regulations. Legal fees cover the costs of corporate secretary and legal services, including contract reviews, legal advice, representation in disputes, and handling regulatory matters. These professional services ensure that the company operates effectively, complies with laws, and makes informed decisions.
Outside Services	3,446,497	Allowed	Refer to various outsourced functions that support the company's operations. IS/IT services include external management of information systems, network infrastructure, and tech support. Security services ensure the safety of personnel and assets, while asset appraisal services provide expert evaluations of company properties. Other professional fees cover specialized external services not classified under consultancy, legal, or audit. General administrative services, janitorial services, driver/liaison services, and back support staff services include essential operational support such as cleaning, clerical tasks, transport, and administrative assistance, all of which enhance business efficiency and functionality.
Repairs & Maintenance (R&M)	549,254	Allowed	Involve the upkeep and preservation of company assets to ensure operational efficiency and longevity. R&M for distribution facilities includes maintaining substation, overhead and underground distribution lines and meters, ensuring they remain functional for distribution utility needs. R&M for buildings and facilities covers the repair and maintenance of office structures and improvements, ensuring a safe and comfortable working environment. R&M for transportation equipment involves servicing and repairing company vehicles to keep them in optimal condition for business use. Finally, R&M for office furniture, tools, and equipment ensures that office fixtures and equipment are well-maintained and operational, preventing disruptions to daily activities.
Insurance	411,581	Allowed	Provide financial protection for a company's assets and operations. Property insurance covers potential damages or losses to company-owned buildings, equipment, and other physical assets caused by events like fire, theft, or natural disasters. Comprehensive general liability insurance protects the company from legal claims arising from accidents, injuries, or damages that occur on its premises or as a result of its operations. Vehicle insurance safeguards company-owned vehicles against damage, theft, or accidents, covering repair costs and liabilities. Together, these insurance types mitigate

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			financial risks and provide a safety net for unexpected events.
Utilities	244,648	Allowed	Cover the essential services needed for the smooth operation of a business. Electricity powers company facilities, equipment, and operations, while telephone, cable, and internet charges provide vital communication and connectivity for day-to-day activities, including remote work and customer support. Water consumption ensures access to clean water for sanitation and office needs. Mobile phone subscriptions support on-the-go communication for employees, enabling flexibility in staying connected with clients and colleagues. Together, these utilities are crucial for maintaining functional and efficient business operations.
Transportation & Travel	200,267	Allowed	Include costs related to company operations and employee mobility. Fuel consumption covers the fuel used by company-owned vehicles for daily activities like meetings, client visits, or transportation of goods. Local and foreign travel expenses encompass transportation, accommodations, toll fees, and other related costs for employees traveling for business purposes, whether within the country or abroad. Vehicle registration refers to the mandatory fees for registering company vehicles to ensure they are legally authorized for road use. Together, these components facilitate business mobility, logistics, and employee travel needs.
Materials	185,854	Allowed	Include the cost of operational and maintenance (O&M) materials used to support the company's infrastructure and daily operations. O&M materials for distribution facilities, buildings, transportation, office furniture, tools, and equipment ensure that these assets are properly maintained, functional, and efficient. O&M materials for information and communication equipment help maintain the company's IT and telecom infrastructure. Office supplies and consumables include everyday items like paper, pens, and printer ink that are necessary for smooth office operations. These materials are essential for the upkeep and functionality of various business components, ensuring continued productivity.
Others	413,670	Disallowed	Not supported by documents.
TOTAL	18,163,586		

Table 7. ERC Adjustments on O & M

Operations & Maintenance Expenses	SCPC Proposal (PhP)	Adjustments (PhP)	ERC-Approved (PhP)
Professional Fees	12,711,815.00	0.00	12,711,815.00
Outside Services	3,446,497.00	0.00	3,446,497.00
Repairs & Maintenance	549,254.00	0.00	549,254.00
Insurance	411,581.00	0.00	411,581.00
Utilities	244,648.00	0.00	244,648.00
Transportation & Travel	200,267.00	0.00	200,267.00
Materials	185,854.00	0.00	185,854.00
Others	413,670.00	-413,670.00	0.00
Adjusted OPEX	18,163,586.00	-413,670.00	17,749,916.00
Add: Amortization expense of the Intangible assets (22.33 years remaining franchise term)	0.00	3,357,659.16	3,357,659.16
TOTAL Adjusted OPEX	18,163,586.00	2,943,989.16	21,107,575.16

In its submission, SCPC explained that the “Others” category of Operating Expenses represents various operational items not falling under specific accounts but deemed essential to business activities. These include sales and advertising, mailing and courier charges, workplace safety and protection, donations and charitable contributions, food and beverage, bank charges, and miscellaneous items.

The Commission, however, disallows the entire amount of PhP413,670.00 under this category due to the absence of detailed breakdown and supporting documents. Without verifiable substantiation, the Commission could not ascertain whether these expenses are indeed necessary and reasonable for recovery through the rates.

It is important to emphasize the principle underlying this evaluation. The Commission’s assessment hinges on the applicant’s ability to substantiate its claimed expenses with adequate documentation and justification. Where an item is not supported, it cannot be allowed for rate recovery. It remains the applicant’s responsibility to demonstrate, with sufficient detail and documentation, that each expense claimed for recovery is prudent, reasonable, and necessary for utility operations. In this case, SCPC failed to discharge this burden for the “Others” account.

Accordingly, the Commission disallows the **PhP413,670.00** not because such types of expenses are inherently impermissible, but because SCPC failed to present adequate evidence of their necessity and reasonableness.

Moreover, SCPC recognized as part of its Rate Base an Intangible Asset in the amount of PhP74,976,529 and a net amortized amount of PhP69,521,147.00. However, this Intangible Asset pertains to the payment by SCPC to BCDA which covers (i) the assignment by BCDA to SCPC of its franchise, and (ii) the grant by BCDA to SCPC of the BCDA Development and Usufructuary Rights. Therefore, the amount of Intangible Asset is considered to be a contractual payment tied to the right-to-use by SCPC.

Under RORB, only assets that are used and useful in utility operations are included in the Rate Base. The Commission historically does not include these kinds of concession/franchise fees as part of the RAB, since they are not physical or appraised assets but rather a form of franchise or intangible right. However, for the concession/franchise fees paid for by SCPC to BCDA in the form of 10% shares, the Commission finds the same as necessary and prudently incurred costs for the provision of service; thus, may be allowed as a recoverable operating expense.

While the Commission disallowed the concession/franchise fee from inclusion in SCPC's rate base valuation—and consequently denied the proposed recovery of both Return on Capital and Return of Capital thereon—the same nonetheless undeniably constitutes an Intangible Asset. As such, its periodic amortization over the remaining franchise term may be recognized as part of SCPC's cost of service; and is, therefore, recoverable as an operating expense.

In view of the foregoing evaluation and adjustments, the Commission approved an O&M expense of **PhP21,107,575.16**.

2.3 Other Expenses (Taxes and Licenses)

SCPC included Other Expenses amounting to **PhP4,644,603.00**, which are payments of the Regulatory

Fees to ERC and Real Property Taxes paid for the year 2023. The same amount is included in its Statement of Financial Income under Taxes and Licenses.

The Commission verified that the other expenses reported in the 2023 Audited Financial Statement is equivalent to a total of **PhP4,644,603.00**, broken down as follows:

Table 8. Proposed Other Expenses (Taxes and Licenses)

Particulars	Amount (PhP)
Real Property Tax (2023)	871,294.00
Regulatory Fees paid to ERC	3,773,309.00
Total Other Expenses	PhP4,644,603.00

The Commission considered only the Regulatory Fees paid to ERC in the amount of PhP3,773,309.00 as Other Expenses to be included in the computation of the Revenue Requirement. As for the Real Property Tax, this is a pass-through charge that they can impose on their customers in accordance with Resolution No. 2, Series of 2021⁶.

Table 9. ERC Adjustments on Other Expenses (Taxes and Licenses)

Particulars	SCPC's Proposal (PhP)	Adjustments (PhP)	ERC-Approved (PhP)
Real Property Tax (2023)	871,294	-871,294	0
Regulatory Fees paid to ERC	3,773,309	0	3,773,309
Total Other Expenses	4,644,603	-871,294	3,773,309

In view of the foregoing, the Commission approves the Other Expenses of **PhP3,773,309.00** pertaining to Regulatory Fees as part of SCPC's revenue requirement.

2.4 Return on Capital

After determining the DU's required operating expense, the next step is fixing the Return on Capital. The Return on Capital as a component of the revenue requirement is arrived at using the following formula:

$$\text{Return on Capital} = (\text{Net Plant In Service} + \text{Materials and Supplies} + \text{Cash Working Capital}) \times \text{Rate of Return}$$

⁶ Rules on the Recovery of Pass-Through Taxes (Real Property, Local Franchise, and Business Taxes) of Distribution Utilities.

2.4.1 Net Plant in Service

The following are considered in determining the DU's Net Plant in Service: a) Historical Value of the assets as reflected in the Appraisal Report; b) the Inspection Report rendered by an ERC staff who conducted an ocular inspection of the assets of the DU; and c) Construction Work in Progress.

SCPC in support of its *Application*, submitted a Valuation Report by Asian Appraisal Company, Inc. (AACI), AACI File No. FAM23-C11132-001.1 dated 14 June 2024. Based on the said report, SCPC's fixed assets consisting of structures and improvements, substation equipment, poles, towers and fixtures, overhead conductors and devices, underground conductors and devices, distribution transformers, meters, metering instruments & metering transformers, furniture and office equipment, transportation equipment, and information systems equipment, as of 31 December 2023 has a replacement cost of **PhP140,809,117** and a depreciated replacement cost of **PhP120,838,016**.

Table 10. SCPC's Valuation Report of Fixed Assets Summary

Assets		Replacement Cost	Depreciated Replacement Cost
<i>SHIN CLARK POWER CORPORATION</i>			
Regulated Distribution Services Assets			
1. Distribution Services			
Structures and Improvements (dedicated to distribution purposes)	P	20,461,000	P 16,792,735
Substation Equipment			
<i>Power Transformer</i>		28,886,000	25,635,463
<i>Switchgear</i>		7,513,000	6,386,050
<i>Protective Equipment</i>		5,468,100	4,647,885
<i>Metering and Control Equipment</i>		504,000	428,400
<i>Other Station Equipment</i>		3,288,280	2,794,634
Poles, Towers and Fixtures		12,898,760	11,626,595
Overhead Conductors and Devices			
Overhead Conductors		7,932,737	7,058,009
Line Devices		4,501,300	3,852,563
Underground Conductors and Devices			
Underground Conductors		17,318,241	14,816,717
Underground Devices		19,764,000	16,909,200
Distribution Transformers		615,000	581,500
Meters, Metering Instruments & Metering Transformers (dedicated to distribution purposes)		50,400	39,942
2. General Plant (Non-network Assets)			
Structures and Improvements (non-network related)		3,787,000	3,240,700
Office Furniture and Equipment		47,600	44,350
Transportation Equipment		2,669,000	2,010,000
Information Systems Equipment (non-network related)		740,300	257,528
Regulated Retail Services Assets			
Meters, Metering Instruments & Metering Transformers - Consumer consumption metering		4,364,400	3,715,744
TOTAL	P	140,809,117	P 120,838,016

Inspection Report

The Commission conducted an ocular inspection/verification on the replacement cost and depreciated replacement cost of SCPC’s fixed assets as of 31 December 2023 as shown in the Asian Appraisal Company, Inc. (AACI) Valuation Report AACI File No. FAM23-C11132-001.1 dated 14 June 2024, particularly structures and improvements, substation equipment, poles, towers and fixtures, overhead conductors and devices, underground conductors and devices, distribution transformers, meters, metering instruments & metering transformers, furniture and office equipment, transportation equipment, and information systems equipment, located in Barangays Capas and Bamban, Province of Tarlac.

The ocular inspection aimed to verify the: 1) existence; 2) use and usefulness; and 3) legal ownership of plant, property and equipment as listed in the said valuation report. The Commission has performed a full ocular inspection of all material assets which proved to be accurate and consistent with the records of all the assets in use.

In the course of said inspection, the assets of SCPC were found to be in existence and useful in the furtherance of its operations as a distribution utility. A summary is provided in the table below:

Table 11. Appraised Value of SCPC’s Assets

Assets	Replacement Cost (PhP)	Depreciated Replacement Cost (PhP)
Regulated Distribution Services Assets		
1. Distribution Services		
Structures and Improvements (dedicated to distribution purposes)	20,461,000	16,792,735
Substation Equipment		
<i>Power Transformer</i>	28,886,000	25,635,463
<i>Switchgear</i>	7,513,000	6,386,050
<i>Protective Equipment</i>	5,468,100	4,647,885
<i>Metering and Control Equipment</i>	504,000	428,400
<i>Other Station Equipment</i>	3,288,280	2,794,634

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Poles, Towers and Fixtures	12,898,760	11,626,595
Overhead Conductors and Devices		
Overhead Conductors	7,932,737	7,058,009
Line Devices	4,501,300	3,852,563
Underground Conductors and Devices		
Underground Conductors	17,318,241	14,816,717
Underground Devices	19,764,000	16,909,200
Distribution Transformers	615,000	581,500
Meters, Metering Instruments & Metering Transformers (dedicated to distribution purposes)	50,400	39,942
2. General Plant (Non-network Assets)		
Structures and Improvements (non-network related)	3,787,000	3,240,700
Office Furniture and Equipment	47,600	44,350
Transportation Equipment	2,669,000	2,010,000
Information Systems Equipment (non-network related)	740,300	257,528
Regulated Retail Services Assets		
Meters, Metering Instruments & Metering Transformers - Consumer consumption metering	4,364,400	3,715,744
TOTAL	140,809,117	120,838,016

In view of this, the total Replacement Cost and the Depreciated Replacement Cost of SCPC Regulatory Asset Base (RAB) are in the amounts of PhP140,809,117 and PhP120,838,016, respectively.

Rate Base

The appraised value of SCPC's assets as contained in Schedule B of the UFR was used as the basis for the determination of its Rate Base. SCPC utilized the appraised value of assets, as reported by an independent appraiser, AACI, as of 31 December 2023, in the determination of its rate base.

SCPC's proposed rate base considered the following:

- a) Assets initially constructed in 2019 to meet (a) the power requirements of Phase 1 of the National Government Administrative Center which served as the venue for the Southeast Asian Games; and (b) the stated projected load of 49 MW for Phase 1 of New Clark City by CY 2022;⁷

- b) Working Cash Allowance is equivalent to one (1) month's operating expenses and one (1) month's purchased power cost;

- c) SCPC did not include the portion of the RAB pertaining to the Construction Work in Progress (CWIP) in the amount of PhP181,440,000,⁸ as it is proposing to defer recovery thereof. However, SCPC claimed that such CWIP should form part of its RAB and should be allowed to recover the corresponding return on the CWIP, amounting to PhP21,772,800⁹, in subsequent rate filings; and

- d) SCPC utilized a rate of return of 12%¹⁰ of its rate base equivalent to PhP23,368,712, consistent with prevailing jurisprudence¹¹ on the reasonable rate of return.

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⁷ As detailed in the bidding documents for the construction and development of the New Clark City distribution system.

⁸ The construction of the 69kV line to connect New Clark City to the Luzon grid through the Dolores/Clark substation started in April 2023. The CWIP here represents 70% of the progress billings as of December 2023.

⁹ Equivalent to CWIP x 12% rate of return.

¹⁰ The Amended Public Service Act stipulates a maximum 12% rate of return on rate base for public utility projects that are monopolies and are subject to negotiated contracts, according to the Government Procurement Policy Board.

¹¹ NASECORE v. Energy Regulatory Commission, G.R. No. 226443, 8 October 2019, MERALCO v. Public Service Commission, G.R. No. L-24762, 14 November 1966, and Republic v. MERALCO, G.R. No. 141314, 15 November 2002.

Table 12. Components of SCPC's Proposed Rate Base

Account Name	Adjusted Amount (PhP)
Total Intangible Plant	74,976,529
Total Distribution Plant	133,565,217
Total General Plant	7,243,900
Total Plant in Service	215,785,646
<i>Less:</i>	
Accumulated Depreciation	
Total Intangible Plant	5,455,382
Total Distribution Plant	18,279,780
Total General Plant	1,691,322
Total Accumulated Depreciation	25,426,483
Net Plant in Service	190,359,163
<i>Plus:</i>	
Construction Work in Progress	181,440,000
Working Cash Allowance	4,380,102
Actual Total Rate Base	376,179,265
<i>Less:</i>	
Construction Work in Progress	181,440,000
Adjusted Total Rate Base	194,739,265

Construction Work in Progress

SCPC proposed to defer the recovery of the amount of **PhP67,015,626.51** until SCPC's subsequent rate filings. This represents: (a) the 12% return of PhP21,772,800.00 on the CWIP component of PhP181,400,000.00 that should have been part of SCPC's proposed rate base; and (b) the amount of PhP45,242,826.51 representing the difference between the actual average rate of PhP22.9452/kWh and adjusted average rate of PhP4.7390/kWh multiplied by the actual CY2023 energy sales of PhP2,485,027 kWh.

Thus, the amount of **PhP21,772,800.00** pertaining to CWIP was not included to form part of SCPC's rate base.

Intangible Asset

As disclosed in SCPC's 2023 AFS (Note 2 of the Notes to AFS), the Intangible Asset pertains to DU Franchise assigned to SCPC. It is stated at cost less accumulated amortization and any impairment in value, with the following key accounting treatments:

- i) The initial cost of the franchise was determined by a professionally qualified appraiser.
- ii) Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the franchise.
- iii) The useful life of the intangible asset shall not exceed the period of the franchise rights, though it may be shorter depending on expected utilization.
- iv) Amortization is applied on a straight-line basis over the 25-year term of the franchise granted under R.A. No. 11420 dated August 22, 2019.

Upon evaluation, the Commission recognizes that the intangible asset account represents the assigned franchise right under the Deed of Assignment.¹² However, such an asset does not qualify for inclusion in the Rate Base and therefore is not entitled to recover Return on Capital and Return of Capital. This is because the basis of the franchise valuation already reflects the future annual net earnings of SCPC,¹³ and allowing further returns on this amount would result in double recovery at the expense of consumers.

Nevertheless, the Commission acknowledges that the franchise cost represents a legitimate economic outlay of SCPC which diminishes in value over time as the franchise term runs its course. Accordingly, while Return on Capital and Return of Capital are disallowed, the Commission authorizes the recovery of the periodic amortization of the intangible asset as part of the allowable operating expenses. This ensures that the cost of the franchise is spread equitably over its useful life and recognized only to the extent that it is actually consumed in the course of providing distribution service, consistent with regulatory standards of prudence, necessity, and reasonableness.

Rate Base under RORB

In accordance with Rule 15, Section 5 (a) of the Implementing Rules and Regulations of the EPIRA, the Commission is guided by the following provision on the

¹² Note 8 of the Notes to the 2023 Audited Financial Statement.

¹³ Annex C of the *Application*.

determination of the rate base under the RORB methodology:

“In case the rate setting methodology used is RORB, it shall be subject to the following guidelines:

i) For purposes of determining the rate base, the TRANSCO or its buyer or concessionaire or any Distribution Utility may be allowed to revalue its eligible assets not more than once every three (3) years by an independent appraisal company.”

This rule clearly establishes that asset revaluation through appraisal is not only permissible but expressly contemplated under the EPIRA framework.

Accordingly, the Commission considered the appraised value of SCPC’s assets, excluding intangible plant, in determining the appropriate Rate Base.

The Commission emphasizes its continuing adherence to the principle of regulatory consistency and predictability. Historically, under the RORB framework, the Commission has adopted the appraisal approach in determining the Rate Base of distribution utilities. This long-standing practice has provided regulated entities and stakeholders with a clear, predictable basis for investment and rate-setting decisions. Departing from such established methodology without clear legal or policy grounds would create regulatory uncertainty and undermine investor and consumer confidence.

By continuing to adopt the appraisal approach in the present case, the Commission ensures that its treatment of SCPC’s Rate Base remains aligned with past regulatory practice while also being squarely supported by the express provisions of the EPIRA. In this way, the Commission’s decision reinforces both regulatory stability and statutory compliance.

In this case of SCPC, the Commission therefore adopted the independently appraised value of SCPC’s Distribution and General Plant, while excluding Intangible Plant from the Rate Base on the ground that it is not a tangible, depreciable asset used in delivering distribution service. Instead, only the amortization of

such intangible asset is recognized as a recoverable operating expense, as discussed in the preceding section.

The resulting adjustments are shown below:

Table 13. Appraised Value of SCPC's RAB

Account Name	SCPC's Proposal (PhP)	Adjustments (PhP)	ERC-Approved (PhP)
Total Intangible Plant	74,976,529	-74,976,529	0
Total Distribution Plant	133,565,217	0	133,565,217
Total General Plant	7,243,900	0	7,243,900
Total Plant in Service	215,785,646	-74,976,529	140,809,117
<i>Less:</i>			
Accumulated Depreciation			
Total Intangible Plant	5,455,382	5,455,382	0
Total Distribution Plant	18,279,780	0	18,279,780
Total General Plant	1,691,322	0	1,691,322
Total Accumulated Depreciation	25,426,484	5,455,382	19,971,102
Net Plant in Service	190,359,162	-69,521,147	120,838,015

2.4.2 Cash Working Capital

SCPC's proposal is for the provision of 1-month Cash Working Capital (CWC) on O&M expenses and one (1) month for power cost, as follows:

Table 14. Proposed Working Capital

Account	Amount (PhP)
Payroll	2,630,540.00
Operation & Maintenance (Excluding Purchased Power and Fuel)	18,163,586.00
Other Taxes	4,644,603.00
Total O & M	25,438,729.00
	-
Cash Working Capital - O & M (1 month)	2,119,894.00
Cash Working Capital - Purchase Power* (6,780,623.163)/(3 months)	2,260,207.72
TOTAL CASH WORKING CAPITAL	4,380,102.00

**This amount is equal to only three (3) months of purchased power cost as SCPC was only billed directly by TARELCO II beginning October 2024 supply period. Prior months were billed to BCDA.*

Working capital refers to the funds a DU must maintain to cover day-to-day operational expenses, such as payroll and supplier obligations, during the period before customer payments are received. The Commission generally allows a provision for working capital as part of the Rate Base, recognizing that there is a natural time lag between (i) the delivery of service to customers, (ii) the billing of such service, and (iii) the eventual collection of payments.

In line with this principle, the Commission evaluated SCPC’s proposal for a Cash Working Capital allowance consisting of: (i) one-month provision for purchased power, and (ii) one-month provision for O&M.

Upon verification, the Commission computed the allowable O&M base for CWC purposes by considering only those expenses duly adjusted and approved by the Commission. This excluded purchased power and fuel, as well as the amortization of its intangible assets, which are not appropriate for inclusion in the working capital computation.

The resulting computation is summarized below:

Table 15. ERC-Approved Cash Working Capital

Account	Amount (PhP)
Adjusted Payroll	2,448,553
Adjusted Operation & Maintenance <i>(Excluding Purchase Power and Fuel and Amortization of Intangible Asset)</i>	17,749,916
Adjusted Other Expenses	3,773,309
Total Adjusted O & M	<u>23,971,778</u>
	-
Cash Working Capital – Adjusted O&M <i>(PhP23,971,778/12 months)</i>	1,997,648.17
Cash Working Capital - Purchase Power <i>(PhP6,780,623.163/3 months¹⁴)</i>	2,260,207.72
TOTAL ADJUSTED CASH WORKING CAPITAL	4,257,855.89

¹⁴ This amount is equal to only three (3) months of purchased power cost as SCPC was only billed directly by TARELCO II beginning October 2024 supply period. Prior months were billed to BCDA.

In view of the foregoing, the Commission allows SCPC to have a Cash Working Capital amounting to **PhP4,257,855.89**.

Summary of the Rate Base

After adjustments were made on all the components of the rate base, the following summarizes its composition with corresponding adjusted figures, resulting in the final amount of **PhP125,095,871.00**.

Table 16. Adjusted Total Rate Base

Particulars	Per SCPC (PhP)	Commission's Adjustment (PhP)	Approved Rate Base (PhP)
Total Plant in Service	215,785,646	-74,976,529	140,809,117
Total Accumulated Depreciation	-25,426,484	5,455,382	-19,971,102
Net Plant in Service	190,359,162	-69,521,147	120,838,015
Cash Working Capital	4,380,102	-122,246	4,257,856
Adjusted Total Rate Base	194,739,264	-69,643,393	125,095,871

2.4.3 Return on Rate Base (RORB)

The current form of regulation practiced for privately owned electric utilities is Performance Based Rate (PBR) methodology. Pending its inclusion in the PBR framework, SCPC's instant application was evaluated using the RORB methodology. Distribution rates are set to recover the efficient cost of service prudently incurred plus a reasonable rate of return. The rate of return pertains to the percentage that when multiplied by the allowed rate base provides a return that will fairly compensate the company for the risk inherent in the investment of capital. This simply means that a regulated utility is allowed to recover rates that will cover operating costs and provide an opportunity to earn a reasonable return on the assets utilized in the business.

The Commission approved using a 12% rate of return as adopted in the previous rate-setting methodology employing a return on a rate base

(RORB). In this regard, the resulting return on rate base amounting to **PhP15,011,505.00**, is computed as follows:

Table 17. Return on Capital

Particulars	SCPC (PhP)	Commission's Adjustments (PhP)	Approved Return on Rate Base (PhP)
Adjusted Total Rate Base	194,739,264	-69,643,393	125,095,871
Rate of Return	12%		12%
Return on Rate Base	23,368,712	-8,357,207	15,011,505

2.5 Return of Capital (Depreciation and Amortization)

SCPC calculated its proposed depreciation and amortization of **PhP8,211,944.00** based on the appraised value of the assets. SCPC disclosed that depreciation and amortization are computed using the straight-line method over the respective assets' useful lives and the remaining period of its franchise and consents.¹⁵

Table 18. SCPC's Depreciation & Amortization

Account	Amount (PhP)
Intangible Plant	3,357,158
Distribution Plant	
Structures & Improvements	815,170
Station Equipment	1,283,868
Poles, Towers & Fixtures	386,719
O.H. Conductors & Devices	382,511
U.G. Conductors & Devices	1,236,075
Line Transformers	12,275
Meters	162,520
Total Distribution Plant	4,279,138
General Plant	
Structures & Improvements	121,400
Office Furniture & Equipment	2,838
Transportation Equipment	319,190
Miscellaneous Equipment	132,220
Total General Plant	575,648
Total Depreciation & Amortization	8,211,944

As previously discussed, the Commission resolves to disallow the amortization expense pertaining to the intangible assets.

¹⁵ Schedule B of Annex C of the *Application*.

On the other hand, depreciation is included in the revenue requirement as the mechanism to allow a return of capital. In addition, this allowance is required to be set aside by the DU specifically for the rehabilitation, maintenance, upgrading and replacement of assets.

The following table reflects the disallowed amortization expense and the approved depreciation expense based on the appraised value of the assets:

Table 19. ERC-Approved Return of Capital (Depreciation)

Account	SCPC Proposal (PhP)	Adjustments (PhP)	ERC-Approved (PhP)
<i>Intangible Plant</i>	3,357,158	- 3,357,158	-
<i>Distribution Plant</i>			
Structures & Improvements	815,170	0	815,170
Station Equipment	1,283,868	0	1,283,868
Poles, Towers & Fixtures	386,719	0	386,719
O.H. Conductors & Devices	382,511	0	382,511
U.G. Conductors & Devices	1,236,075	0	1,236,075
Line Transformers	12,275	0	12,275
Meters	162,520	0	162,520
Total Distribution Plant	4,279,138	0	4,279,138
<i>General Plant</i>			
Structures & Improvements	121,400	0	121,400
Office Furniture & Equipment	2,838	0	2,838
Transportation Equipment	319,190	0	319,190
Miscellaneous Equipment	132,220	0	132,220
Total General Plant	575,648	0	575,648
Total Depreciation & Amortization	8,211,944	-3,357,158	4,854,786

Further, the Commission considered that SCPC should be required to set up a depreciation fund each year corresponding to the whole amount of depreciation that it has recorded on its books. The setting up of this fund should be done monthly corresponding to the monthly depreciation. SCPC is required to strictly account for the expenditures out of this fund which should be used strictly for investment in the electric plant and all withdrawals from this fund should be reported to the Commission within thirty (30) days from such withdrawal.

3. FUNCTIONALIZATION, CLASSIFICATION AND CUSTOMER CLASS ALLOCATION

In the Commission’s unbundling decisions, the revenue requirement was functionalized using the Activity Based Costing (ABC) methodology for costs related specifically to the distribution utility such as distribution, metering and supply. Activity-Based Costing is "a methodology that measures the cost and performance of activities, resources and cost objects based on their use. It recognizes the causal relationships of cost drivers to activities." In general, the assignment of cost responsibility to a certain function or a rate class based on ABC requires the identification of activities or tasks performed, the costs of resources attributable to such an activity and the cost objects. The proportionate share of the cost objects to the cost of resources used represents the level of cost assigned for a specific function or a particular customer class.

The revenue requirement functionalized to Distribution function is classified based on the components of utility service being provided, such as costs that vary with the demand, energy, and number of customers. The Commission determined that any energy related cost should be allocated based on annualized sales. Annualized sales were derived by multiplying the year-end number of customers by average annual kWh usage for each customer class.

Once the various customer class categories have been designated, functionalized, and classified costs are allocated among the classes based on the allocation method consistent with the “cost causation principle”. The functionalized revenue is allocated to the customer class based on the Total Revenue, as follows:

Table 20. Allocation Factors per Customer Class

Total Revenue	Residential	Small (400/230V, <5kW)	Secondary (400/230V, >=5kW)	Primary (13.8kV)	High Voltage (69kV)	Metered Street lighting	Flat Street lighting
1.0000	0.1023	0.0006	0.0494	0.3885	0.4579	0.0008	0.0005

3.1 Functionalization and Allocation Factors

The functionalization and allocation factors used by SCPC were the default factors provided for in the UFR. In this regard, the Commission sees no compelling reason for it to deviate from the existing functionalization and allocation

factors as contained in the UFR since such factors have been determined after an in-depth study conducted.

3.2 SCPC's Proposed Billing Determinants

Instead of using the actual CY2023 sales volume, SCPC proposed to use the forecasted volume for CY2025 of 12,031,930 kWh as the billing determinant. However, based on the *Manifestation with Motion to Admit*, dated 19 August 2025, submitted by SCPC, forecasted volume for CY2025 is appropriately revised to 11,731,430 kWh.

The Commission finds the proposal of SCPC to adopt the functionalization factors to be consistent with the rate making principle that the cost drivers should align with the corresponding expenses, thus, it adopts the 11,731,430 kWh as the billing determinant.

4. SUMMARY OF RESULTING REVENUES PER FUNCTION AND PER CLASS

Based on the functionalization, classification, and allocation of the approved revenue requirement for SCPC, Table 21 below provides the following revenues functionalized by customer category.

Table 21. Summary of Revenues Functionalized by Customer Category

Customer Class	Total Revenue (PhP)	Distribution Related Revenue (PhP)	Supply Related Revenue (PhP)	Metering Related Revenue (PhP)
Residential	5,083,533	1,751,455	1,337,493	1,994,585
Small (400/230V, <5kW)	28,396	12,854	4,677	10,866
Secondary (400/230V, >=5kW)	2,338,826	1,876,570	74,825	387,431
Primary (13.8kV)	18,306,984	15,609,929	701,482	1,995,573
High Voltage (69kV)	21,373,729	20,665,627	233,827	474,275
Metered Streetlighting	38,884	15,570	7,015	16,299
Flat Streetlighting	25,377	18,362	7,015	-
TOTAL	47,195,729	39,950,366	2,366,334	4,879,029

5. RATE DESIGN

The total revenue requirement amount was allocated to individual rate classes using functionalization or the arrangement of costs according to the major operating functions and apportioned allocation.

In anticipation of residential and street-lighting customers, SCPC proposes to have rates available for these customer classes. In the 2023 test year, there are no residential and street-lighting customers yet, SCPC used its projected sale profile for CY 2025 in apportioning the costs for residential and streetlighting customers.

The rate design process started with the examination of the cost of service. A cost-of-service study is used to (1) functionalize the costs according to their major functions and (2) allocate costs to various customer classes. This was done using the following steps:

The Revenue Requirement was functionalized into SCPC's regulated services: Distribution, Supply, and Metering.

The functionalized revenue is then allocated to the different customer classes based on the functions used in the provision of service to each customer class. There are directly assigned costs or costs that are caused or incurred by a single rate class. There are also joint costs that are caused by or incurred by two or more rate classes. Lastly, there are common costs or those that are common to all classes.

The functionalized revenue for each customer class is then allocated to the rate elements that can be customer, energy-related, or demand-related. These rate elements served as billing determinants for the resulting distribution, supply, and metering charges by customer class.

The derived functionalized revenue is then divided by the corresponding billing determinants resulting in the proposed rates per customer class.

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Table 22. SCPC's Proposed vs ERC-Approved Rates

Customer Classes	Units	Proposed (a)	ERC-Approved (b)	Increase (Decrease) (b-a)
DISTRIBUTION				
Residential	PhP/kWh	3.6477	2.9859	-0.6618
Small (400/230V, <5kW)	PhP/kWh	3.6477	2.9859	-0.9140
Secondary (400/230V, >=5kW)	PhP/kWh	0.9028	0.7390	-0.2262
	PhP/kW	333.51	266.18	-83.57
Primary (13.8kV)	PhP/kWh	0.8345	0.6831	-0.2091
	PhP/kW	308.25	246.02	-77.24
High Voltage (69kV)	PhP/kWh	0.8345	0.6831	-0.2091
	PhP/kW	308.25	246.02	-77.24
Metered Streetlighting	PhP/kWh	3.6477	2.9859	-0.9140
Flat Streetlighting	PhP/kWh	3.6477	2.9859	-0.9140
Flat Streetlighting				
LED 30W	PhP/Lamp/Mo.	47.42	35.54	-11.88
LED 60W	PhP/Lamp/Mo.	91.19	68.34	-22.85
LED 120W	PhP/Lamp/Mo.	178.74	133.95	-44.79
SUPPLY				
Residential	PhP/kWh	1.4094	1.6951	0.2856
	PhP/Cust./Mo.	50.00	50.00	0.00
Small (400/230V, <5kW)	PhP/Cust./Mo.	173.53	194.86	21.33
Secondary (400/230V, >=5kW)	PhP/Cust./Mo.	347.06	389.71	42.65
Primary (13.8kV)	PhP/Cust./Mo.	5,205.93	5,845.69	639.75
High Voltage (69kV)	PhP/Cust./Mo.	17,353.11	19,485.62	2132.51
Metered Streetlighting	PhP/Cust./Mo.	173.53	194.86	21.33
Flat Streetlighting	PhP/kWh	0.9905	1.1407	0.1502
Flat Streetlighting				
LED 30W	PhP/Lamp/Mo.	12.88	12.36	-0.5200
LED 60W	PhP/Lamp/Mo.	24.76	23.77	-0.9900
LED 120W	PhP/Lamp/Mo.	48.53	46.59	-1.9400
METERING				
Residential	PhP/kWh	2.9485	3.0494	0.1008
	PhP/Cust./Mo.	30.00	30.00	0.00
Small (400/230V, <5kW)	PhP/Cust./Mo.	450.21	452.75	2.54
Secondary (400/230V, >=5kW)	PhP/Cust./Mo.	2,011.66	2,017.87	6.22
Primary (13.8kV)	PhP/Cust./Mo.	16,589.26	16,629.77	40.52
High Voltage (69kV)	PhP/Cust./Mo.	39,428.68	39,522.93	94.26
Metered Streetlighting	PhP/Cust./Mo.	450.21	452.75	2.54
Flat Streetlighting		-	-	-
Flat Streetlighting				
LED 30W		-	-	-
LED 60W		-	-	-
LED 120W		-	-	-

5.1 Distribution Charge

Currently, SCPC's billing, regardless of voltage and demand level, is based on the metered energy quantities under a peso per kilowatt-hour charge. This is in accordance with the Lock-In Tariff currently being implemented.

SCPC is proposing that for Residential, Small, Metered Streetlights, the Distribution Charge shall be on a peso per kilowatt-hour (PhP/kWh) basis. All other customers would be charged a Distribution Charge determined by using a combination of peso per kilowatt-hour (PhP/kWh) ("Energy Charge") and peso per kilowatt (PhP/kW) ("Demand Charge"). For Flat Streetlights customers, the Distribution Charge shall be based on the number of lamps per month.

For customers billed using demand-based charges, a minimum billing demand of 70% of the contracted capacity, and in no case less than 5 kW, is proposed to allow SCPC to recover the cost of allocating the capacity for these customers.

5.2 Supply and Metering Charges

SCPC proposed a fixed charge per month (PhP/customer/month) for the supply and metering services of all its customers except Residential customers. On the other hand, Flat Streetlights customers will not have a metering charge but will be charged a supply charge based on the number of lamps per month.

6. OTHER RATE RELATED ITEMS

6.1. Charges to Customers with Zero Consumption

For customers without consumption for a billing month, it is proposed that the minimum charge shall be the sum of the Supply Charge and Metering Charge plus applicable taxes. For non-residential customers, the minimum charge shall include the Distribution Charge (computed by multiplying the Minimum Billing Demand, which is 70% of the contract capacity by the Distribution Demand Charge per kW).

6.2. Subsidies

Currently, SCPC has no inter-class cross-subsidy charges that need to be removed in this application.

6.3 Lifeline Rate/Subsidy

SCPC currently does not foresee any residential customers that will qualify as lifeline customers as defined under Republic Act No. 11552. In particular, the residential customers will be living in housing provided by BCDA for employees in NCC and cannot be qualified as marginalized users. As such, SCPC did not propose a lifeline rate and level under this application but reserved the right to file said charges should the need later arise.

7. SCHEDULE OF RATES

Table 23. ERC-Approved Schedule of Rates

	Distribution		Supply		Metering	
	Energy (PhP/kWh)	Demand (PhP/kW)	PhP/kWh	PhP/Cust./Mo.	PhP/kWh	PhP/Cust./Mo.
Residential	2.9859	-	1.6951	50.00	3.0494	30.00
Small (400/230V, <5kW)	2.9859	-	-	194.86	-	452.75
Secondary (400/230V, >=5kW)	0.7390	266.18	-	389.71	-	2,017.87
Primary (13.8kV)	0.6831	246.02	-	5,845.69	-	16,629.77
High Voltage (69kV)	0.6831	246.02	-	19,485.62	-	39,522.93
Metered Streetlighting	2.9859	-	-	194.86	-	452.75
Flat Streetlighting	2.9859	-	1.1407	-	-	-
Flat Streetlighting	PhP/Lamp/Mo.		PhP/Lamp/Mo.		PhP/Lamp/Mo.	
LED 30W	38.82		14.83		-	
LED 60W	74.65		28.52		-	
LED 120W	146.31		55.89		-	

WHEREFORE, the *Application* of Shin Clark Power Corporation (SCPC) for the approval of its Revenue Requirement, Net Plant in Service as of 31 December 2023 and distribution, supply and metering rates, is hereby **APPROVED**, with **MODIFICATIONS**:

1. SCPC's Total Revenue Requirement shall be **Forty-Seven Million One Hundred Ninety-Five Thousand Seven Hundred Twenty-Nine Pesos (PhP47,195,729)**,

equivalent to an average rate of **PhP4.0230/kWh** as reflected in Table 1;

2. SCPC's Regulatory Asset Base shall have a Replacement Cost of **PhP140,809,117** and a Depreciated Replacement Cost of **PhP120,838,016**; and
3. SCPC's Schedule of Rates shall be as provided in Table 23 above, to be effective on the next billing cycle from receipt this *Decision*.

SO ORDERED.

Pasig City.


FRANCIS SATURNINO C. JUAN
Chairperson and CEO


FLORESTINDA G. BALDO-DIGAL
Commissioner


MARKO ROMEO L. FUENTES
Commissioner


AMANTE A. LIBERATO
Commissioner


PARIS G. REAL
Commissioner


LS: JAB/MVM/ARG/MCCG


ROS: JTE/ABS/AJMO

**Deliberated and approved during the 27 August 2025 Commission Meeting.*

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DECISION
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Copy Furnished:

1. Shin Clark Power Corporation (SCPC)
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New Clark City, Aranguren, Capas, Tarlac
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Tarlac City, Tarlac
11. Office of the Municipal Mayor
Municipality of Bamban, Tarlac
12. Office of the Sangguniang Panlungsod
Bamban City, Tarlac
13. Office of the Administrator
Clark Special Economic Zone