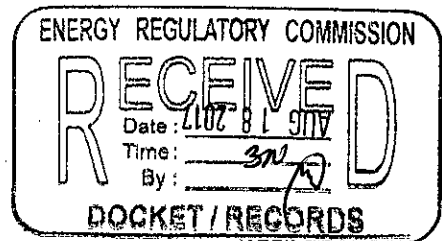


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADJUSTMENT IN RATES
COVERING THE FIRST TO
THIRD REGULATORY
YEARS OF THE SECOND
REGULATORY PERIOD FOR
THE SECOND ENTRANT
GROUP UNDER THE
TARIFF GLIDE PATH (TGP)
RULES, WITH MOTION FOR
PROVISIONAL AUTHORITY

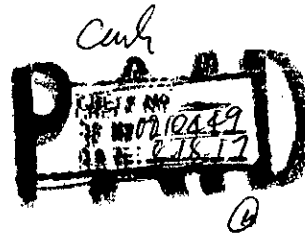


2017-074

ERC Case No. _____ RC

NUEVA ECIJA II ELECTRIC
COOPERATIVE, INC. - AREA
2 (NEECO II - AREA 2),
Applicant.

X-----X



APPLICATION
With Motion for Provisional Authority

APPLICANT, NUEVA ECIJA II ELECTRIC COOPERATIVE, INC. - AREA 2 (NEECO II - AREA 2), through counsel, unto this Honorable Commission, respectfully alleges, that:

THE APPLICANT

1. Applicant is an electric cooperative doing business under Philippine laws, with principal offices at Maharlika Highway, Barangay Diversion, San Leonardo, Nueva Ecija;

2. It is engaged in the distribution of electric light and power in the City of Palayan and certain municipalities in the province of Nueva Ecija, namely: San Leonardo, Sta. Rosa, Papaya (Gen. Tinio), Penaranda, Bongabon, Laur, Gabaldon, Rizal, Llanera and Gen. M. Natividad.

NATURE OF APPLICATION

3. The instant Application is being filed for the approval of Applicant's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates to be implemented on the First to Third Regulatory Years of the Second Regulatory Period for Electric Cooperatives belonging to the Second Entrant Group under the Tariff Glide Path Rules (TGP Rules) and pursuant to said Rules, as well as other pertinent laws and rules.

STATEMENT OF FACTS

4. Sometime in 2014, Applicant filed with the Honorable Commission an application for approval of the proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2014-080RC.

5. In the said application, Applicant prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective January 2015, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			236.6094
Distribution System Charge	PhP/kWh	0.6228	0.8180	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		46.2276	46.2276
Supply System Charge	PhP/kWh	0.6463		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3853	38.7097	38.7097
Metering System Charge	PhP/kWh	0.4659		

B. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			222.3302
Distribution System Charge	PhP/kWh	0.5852	0.7687	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		43.4378	43.4378
Supply System Charge	PhP/kWh	0.6073		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0603	36.3736	36.3736
Metering System Charge	PhP/kWh	0.4378		

6. Foregoing application was Applicant’s initial application for DSM rate adjustment pursuant to the TGP Rules, under which electric cooperatives are given an opportunity to adjust their rates once every three (3) years, which may occur at the start of the fourth year of the First Regulatory Period and every 3 years thereafter;

7. Applicant belongs to the Second Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2012 to December 31, 2017. Having filed its initial application for DSM rate adjustment on the third regulatory year of the First Regulatory Period, the cooperative is filing the instant Application in the current year 2017, the sixth regulatory year of the First Regulatory Period, for the proposed adjustment of its DSM rates to be implemented on the first to the third regulatory years of the Second Regulatory Period for the Second Entrant Electric Cooperatives under the TGP Rules;

8. Applicant’s first TGP application under ERC Case No. 2014-080RC is still pending evaluation of the Honorable Commission but in spite thereof, it is constrained to adopt and use the proposed DSM rates in the said application as bases in computing the proposed adjustment in the instant Application.

THE PROPOSED DSM RATE ADJUSTMENT

9. Under the TGP Rules, the concerned electric cooperative shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

$$TGP_B = TGP_n + TGP_{n+1} + TGP_{n+2}$$

where

$$TGP_n = I_n - X_n + S_n$$

n= the fourth year of the Regulatory Period and succeeding Regulatory Periods

The TGP calculated for each of the three years will be summed to determine the possible rate adjustment starting on the First Year of the next Regulatory Period.

10. Applying the methodology embodied in the TGP Rules, Applicant calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"(B)	"X"(B)	"S"(B)	TGP B	TGP B (excluding S)
YEAR 2015	0.00%	0.00%	1.90%	1.90%	0.00%
YEAR 2016	0.00%	1.83%	2.30%	0.47%	-1.83%
YEAR 2017	0.00%	1.85%	2.50%	0.65%	-1.85%
TOTAL				3.02%	-3.68%

11. Utilizing the above values will result in adjustments in Applicant's DSM Rates covering the first to third years of the Second Regulatory Period for electric cooperatives belonging to the Second Entrant Group, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			243.75
Distribution System Charge	PhP/kWh	0.6416	0.8427	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.62	47.62
Supply System Charge	PhP/kWh	0.6659		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.55	39.88	39.88
Metering System Charge	PhP/kWh	0.4800		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.15
Distribution System Charge	PhP/kWh	0.5636	0.7404	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.84	41.84
Supply System Charge	PhP/kWh	0.5850		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.87	35.03	35.03
Metering System Charge	PhP/kWh	0.4217		

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, effective January 1, 2018 and up to December 31, 2020.

SUPPORTING DATA AND DOCUMENTS

13. In support of the foregoing computations, Applicant is submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A to A-2	Proposed TGP Calculations and supporting documents using the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR - Sections B and E (2013-2016)
C	Billing Determinants Template (2013-2016 kWh Sales, No. of Customers and kW Demand)

D	Sample Bills per customer type (2013-2016)
E	Regional CPI (2013-2016)
F	RFSC Utilization (2014-2016)
G	Consumer Complaints Summary or Tracking Form (2014-2016)
H	Audited Financial Statements (2014-2016)

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

14. Applicant respectfully repleads herein the foregoing allegations;

15. Applicant respectfully prays that it be allowed to implement the proposed rate adjustment starting January 1, 2018, considering that it is expressly prescribed under the TGP Rules' provision on Regulatory Period and Process, which provides in part, as follows:

“2. Regulatory Period and Process

2.1 On or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Periods, the electric cooperative may file before the Commission an application for a rate adjustment reflecting the values for the “I”, “X” and “S” as determined in accordance with these rules. ***The initial tariff caps of the respective ECs shall be adjusted by the “I”, “X” and “S” effective at the start of the Fourth Regulatory Year of the First Regulatory Period x xx*** (Emphasis ours)

16. Under the TGP Rules, the regulatory period is six (6) years for each entry Group. For the Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017 and the start of the Fourth Regulatory Year is January 1, 2015. Applicant belongs to the Second Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2018;

17. Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates effective January 1, 2018 and even during the pendency of the instant application, considering that Applicant urgently needs additional funds to be able to cope with the rising costs of its operations. Among the major factors that added to its operating costs is the implementation of the Sitio Energization Program (SEP) of the government consisting of massive extension of its distribution lines up to the remotest and far-flung areas which considerably increased its operations and maintenance costs and likewise resulted to increased system losses which the cooperative is constrained to absorb;

18. Further, the rising cost of materials, tools, equipment, supplies, fuel and other costs incidental to its daily operations has considerably increased these past several years and the funds being generated from Applicant's DSM charges, the rates of which were granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), are no longer sufficient to cover those costs, and if not addressed accordingly with the further adjustment of its rates, Applicant's service to its consumers will be prejudiced.

19. Considering the foregoing, it is respectfully prayed that Applicant be allowed to implement the proposed DSM Rates effective January 1, 2018, even while the instant application is pending hearing or evaluation of the Honorable Commission.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

20. Finally, in compliance with the pre-filing requirements for the instant application, Applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
I	Judicial Affidavit in support of the motion for provisional authority
Jand series	Proof of furnishing copies of the Application to the Sangguniang Bayan of San Leonardo and Sangguniang Panlalawigan of Nueva Ecija

Kand series	Publication of the Application in a newspaper of general circulation in NEECO II - AREA 2's franchise area or where it principally operates, with Affidavit of Publication
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PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, Applicant NEECO II - AREA 2 be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2018, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			243.75
Distribution System Charge	PhP/kWh	0.6416	0.8427	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.62	47.62
Supply System Charge	PhP/kWh	0.6659		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.55	39.88	39.88
Metering System Charge	PhP/kWh	0.4800		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

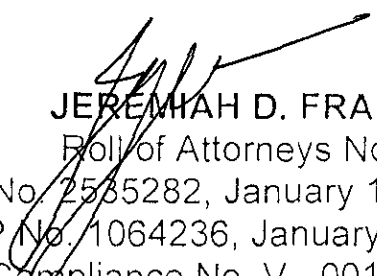
	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.15
Distribution System Charge	PhP/kWh	0.5636	0.7404	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.84	41.84
Supply System Charge	PhP/kWh	0.5850		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.87	35.03	35.03
Metering System Charge	PhP/kWh	0.4217		

Other reliefs, just and equitable in the premises are likewise prayed for.

Pasig City, Metro Manila, June 01, 2017.

DECHAVEZ & EVANGELISTA LAW OFFICES¹
Counsel for the Applicant
NUEVA ECIJA II COOPERATIVE, INC. - AREA 2
(NEECO II - AREA 2)
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Pearl Drive, Ortigas Center, Pasig City 1605
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By:


JEREMIAH D. FRANCISCO
Roll of Attorneys No. 62302
PTR No. 2535282, January 16, 2017, Pasig City
IBP No. 1064236, January 16, 2017, RSM
MCLE Compliance No. V - 0016881, March 16, 2016

¹ Pursuant to Office of the Court Administrator Circular No. 56-2015, hereunder are the MCLE Compliance Numbers of the undersigned Firm's name partners, to wit:

Republic of the Philippines)


Talavera, Nueva Ecija) S.s

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, RAMON M. DE VERA, of legal age, Filipino and with office address at the Main Office of the Nueva Ecija II Electric Cooperative Inc., - Area 2 (NEECO II – Area 2), Maharlika Highway, Barangay Diversion, San Leonardo, Nueva Ecija, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Nueva Ecija II Electric Cooperative, Inc. – Area 2 (NEECO II-Area 2), duly authorized to represent the cooperative in filing the instant application, copy of the corresponding Board Resolution is attached hereto and made integral part hereof;
2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records;
3. NEECO II-Area 2 has not hereto commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of my knowledge no such action or proceeding is pending, and if I should learn that the same or similar action or proceeding has been filed or is pending, I undertake to report such fact to this Honorable Commission, within five (5) days therefrom.

Further, affiant sayeth naught.


RAMON M. DE VERA
Affiant

JUL 17 2017

SUBSCRIBED AND SWORN to before me in Talavera, this 17 day of July 2017, by the affiant who exhibited to me his SSS I.D. bearing No. 02-1015342-0.


ATTY. CARLITO R. INTON
Notary Public

Notary Public
Until December 31, 2017
PTR NO. CEN-087700-0-17
ESP O.R. No. 1056621, 1-3-17
Sworn to and taken at Talavera City
Notary Commission No. V-3011788

Doc. No. 15

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Series of 2017.