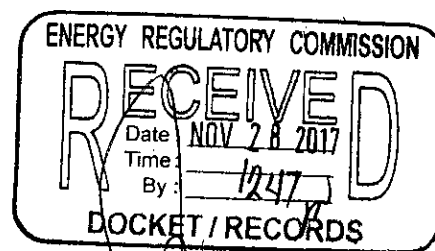


Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pacific Center Building  
San Miguel Avenue, Pasig City

IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
PURSUANT TO THE  
TARIFF GLIDE PATH  
RULES, WITH PRAYER  
FOR PROVISIONAL  
AUTHORITY

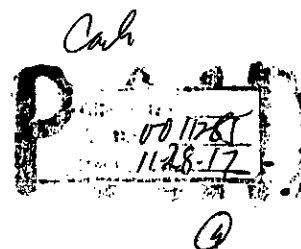


ERC CASE NO. 2017-108 RC

LANAO DEL NORTE  
ELECTRIC COOPERATIVE,  
INC. (LANECO),

Applicant.

X-----X



## APPLICATION

**APPLICANT, LANA DEL NORTE ELECTRIC COOPERATIVE, INC. (LANECO),** through counsel, unto this Honorable Commission, respectfully alleges, that:

### THE APPLICANT

1. LANECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office in Tubod, Lanao Del Norte;

2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Linamon, Matungao,

Poona Piagapo, Kauswagan, Bacolod, Munai, Maigo, Kolambugan, Tangkal, Magsaysay, Tubod, Baroy, Lala, Salvador, Kapatagan, Sapad, Sultan Naga Dimaporo, and Baloi, all in the province of Lanao del Norte;

### THE ANTECEDENT FACTS

1. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);

2. The regulatory framework envisioned under the RSEC-WR is that an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;

3. Pursuant to the RSEC-WR, in 2009, LANECO filed with the Honorable Commission an application for approval of a proposed adjustment in its rates, docketed as ERC Case No. 2009-146 RC;

4. The Honorable Commission approved the application, granting the cooperative at the end of the transition period, the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>267.9000</b>
Distribution System Charge	PhP/kWh	<b>0.8449</b>	<b>0.9259</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>40.15</b>	<b>40.15</b>
Supply System Charge	PhP/kWh	<b>0.7732</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo	<b>5.000</b>	<b>28.72</b>	<b>28.72</b>
Metering System Charge	PhP/kWh	<b>0.4569</b>		

### LEGAL BASIS FOR THE APPLICATION

5. Article 7 of the RSEC-WR provides that during the regulatory period, the rate of the ECs per group shall be adjusted using the following formula, to wit:

Tariff x (1+ index "I"-Efficiency Factor "X" + Performance Incentive "S")

The Index "I", shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load factor. There shall be an efficiency factor "X" to account for the operational efficiency of the ECs in setting their rates. There shall be a performance incentive "S" which shall reward or penalize the EC for above or below standard performance, respectively.

The TGP is intended as a cap and the EC may move up to the cap, if it is a positive adjustment. If the cap is lower than the current average tariff, a reduction may be implemented.

6. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR;

7. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates once every three (3) years. The rate adjustments may occur at the start of the fourth year of the first Regulatory Period and every three years thereafter;

8. Under the TGP, the regulatory period is six (6) years for each entry group. For the Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018. LANECO belongs to the Third Entrant Group;

9. Further under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the first to third years of the Regulatory Period, to wit:

$$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2} \text{ where}$$

$$TGP_n = I_n - X_n + S_n$$

N= the first year of their Regulatory Period and succeeding Regulatory Periods

Except that for the first two years of the First Regulatory Period, "X" will be equal to zero and thereafter shall not be less than zero. The TGP calculated for each of the three years will be summed to determine the possible rate adjustment the starting on the Fourth Year of the current Regulatory Period.

### **THE PROPOSED RATE ADJUSTMENT**

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

	"I"	"X"	"S"	TGP A	TGP A (Excluding "S")
Year 2013	3.74%	0.00%	1.20%	4.94%	3.74%
Year 2014	2.31%	0.00%	1.20%	3.51%	2.31%
Year 2015	0.00%	0.33%	1.20%	0.87%	-0.33%
Net Results				9.32%	5.72%

11. Applying the above values resulted in adjustments on LANECO's DSM Rates, as follows:

**A. WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			292.88
Distribution System Charge	PhP/kWh	0.9237	1.0122	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		43.8935	43.8935
Supply System Charge	PhP/kWh	0.8453		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.47	31.40	31.40
Metering System Charge	PhP/kWh	0.4995		

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			283.2340
Distribution System Charge	PhP/kWh	0.8933	0.9789	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		42.4481	42.4481
Supply System Charge	PhP/kWh	0.8175		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.29	30.3639	30.3639
Metering System Charge	PhP/kWh	0.4831		

12. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

## **SUPPORTING DATA AND DOCUMENTS**

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

Annex Markings	Nature of Document
A A-2 A-3	Proposed TGP Calculation and supporting documents using the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010-2104)
D	Sample Bills (per customer type) (2010-2014)
E	Regional CPI (2009-2014)
F	RFSC/Reinvestment Fund Utilization (2012-2014)
G	Consumer Complaints (Summary or Tracking Form) (2012-2014)
H	Audited Financial Statements (2010-2014)

## **ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY**

14. Applicant repleads the foregoing allegations as may be material herein;

15. Applicant's current DSM rates have been granted by the Honorable Commission in three (3) yearly tranches which started way back in 2010;

16. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as certain governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of the Aquino government, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs, not to mention the increased system loss which the cooperative absorbs. All these costs were not duly provided for in its current rates and the general funds being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;

17. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;

18. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates.

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

19. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Tubod and Sangguniang Panlalawigan of Lanao del Norte
K and series	Proof of publication of the Application in a newspaper of general circulation in LANEKO's franchise area or where its principally operates

## PRAYER

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application or after due notice and hearing, as the case may be, LANECO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, to wit:

### **B. WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			292.88
Distribution System Charge	PhP/kWh	0.9237	1.0122	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		43.8935	43.8935
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<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.47	31.40	31.40
Metering System Charge	PhP/kWh	0.4995		

### **C) EXCLUDING PERFORMANCE INCENTIVE "S"**

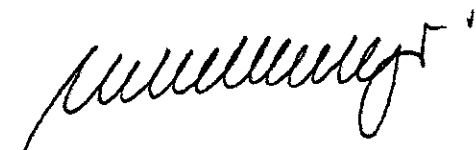
	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			283.2340
Distribution System Charge	PhP/kWh	0.8933	0.9789	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		42.4481	42.4481
Supply System Charge	PhP/kWh	0.8175		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.29	30.3639	30.3639
Metering System Charge	PhP/kWh	0.4831		

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

Pasig City, Metro Manila, November 10, 2017.

**DECHAVEZ & EVANGELISTA LAW OFFICES<sup>1</sup>**  
Counsel for the Applicant  
**Lanao del Norte Electric Cooperative, Inc. (LANECO)**  
Unit 2008, 20<sup>th</sup> floor Tycoon Centre  
Pearl Drive, Ortigas Center, Pasig City 1605  
Tel. Nos. 9101587; 6619357

**By:**



**RONALD RYAN A. SANDIGAN**  
Roll of Attorneys No. 65412<sup>2</sup>  
PTR No. 2535281, January 16, 2017, Pasig City  
IBP No. 1035586, June 20, 2016, Masbate City  
IBP Lifetime No. 015204

<sup>1</sup> 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:

Partners	MCLE Compliance No.	Date of Issuance
Joseph Ferdinand M. Dechavez	V-0005240	Jan. 7, 2015
Nelson V. Evangelista	V-0008307	June 3, 2015

<sup>2</sup>Explanation (Re: MCLE Compliance) - Admitted to the Philippine Bar in 2016. Pursuant to **Board Order No. 1, s. 2008 of the MCLE Governing Board, otherwise known as "Guidelines for MCLE Compliance of New Lawyers in view of Bar Matter No. 1922, S. 2008"**, he is exempted from complying with the MCLE requirement.



## VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

We, **SHERWIN C. MAÑADA** and **ELMIRA G. OLAVIDES**, both of legal age, Filipinos and with the same office address at the main office of the Lanao del Norte Electric Cooperative, Inc. (LANECO), Sagadan, Tubod, Lanao del Norte, after being sworn to according to law, depose and state that:

1. We are the Project Supervisor/Acting General Manager and Board President, respectively, of the Lanao del Norte Electric Cooperative, Inc. (LANECO), duly authorized to represent the cooperative in filing the instant application, the corresponding Board Resolution is attached hereto;

2. We 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 our personal knowledge as well as authentic records;

3. LANECO has not heretofore commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of our knowledge no such action or proceeding is pending, and if we should learn that the same or similar action or proceeding has been filed or is pending, we undertake to report such fact to this Honorable Commission, within five (5) days therefrom.

Further, affiants sayeth naught.


  
**SHERWIN C. MAÑADA**  
Affiant

  
**ELMIRA G. OLAVIDES**  
Affiant

SUBSCRIBED AND SWORN to before me in \_\_\_\_\_  
this 6 NOV 2017 of November 2017, by the affiants who exhibited to me  
the following proofs of identity:

**SHERWIN C. MAÑADA** NEA ID No. 0267  
**ELMIRA G. OLAVIDES** GSIS ID No. 006-0028-6047-5

Doc. No. 385 ;  
Page No. 11 ;  
Book No. XCV ;  
Series of 2017.

Notary Public   
**ATTY. DOROTHEA SALIGAN-BASALU**  
NOTARY PUBLIC  
UNTIL DECEMBER 31, 2018  
PTR NO. 3067502/JAN. 03, 2017/IUBUD, LDN  
BP OR NO. 1016197/LIFETIME MEMBER  
LANAO DEL NORTE CHAPTER ROLL NO. 53300  
CLE CERTIFICATE OF COMPLIANCE NO. V-000133-  
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