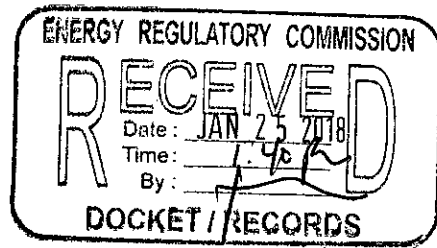


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

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



2018-004
ERC Case No. _____ RC

DAVAO ORIENTAL
ELECTRIC COOPERATIVE
INC. (DORECO),
Applicant.

X-----X

APPLICATION
With Motion for Provisional Authority

APPLICANT, DAVAO ORIENTALELECTRIC COOPERATIVE, INC.(DORECO), through counsel, unto this Honorable Commission, respectfully alleges, that:

THE APPLICANT

1. DORECO 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 at National Highway, Madang, Mati City, Davao Oriental;

2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the city of Mati and the municipalities of Lupon, Banaybanay, San Isidro, Governor Generoso, Tarragona, Manay, Caraga, Baganga, Cateel and Boston, all in the province of Davao Oriental.

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 proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2014-096 RC.

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		
		Residenti al	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	234.9739
Distribution System Charge	PhP/kWh	0.6359	0.6348	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	51.4512	51.4512
Supply System Charge	PhP/kWh	0.7206	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	6.1825	38.5667	38.5667
Metering System Charge	PhP/kWh	0.4537	-	-

b. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	226.8026
Distribution System Charge	PhP/kWh	0.6138	0.6127	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	49.6619	49.6619
Supply System Charge	PhP/kWh	0.6956	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.9675	37.2256	37.2256
Metering System Charge	PhP/kWh	0.4379	-	-

6. The 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. 2014-096 RC is still pending evaluation of the Honorable Commission but in spite thereof, the Applicant’s constrained to adopt and use the proposed DSM rates in the said application as its basis 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 their 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%	12.17%	1.90%	-10.27%	-12.17%
YEAR 2016	0.00%	5.78%	1.10%	-4.68%	-5.78%
YEAR 2017	0.00%	0.00%	1.50%	1.50%	0.00%
TOTAL				-13.45%	-17.95%

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			203.3731
Distribution System Charge	PhP/kWh	0.5504	0.5494	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.5317	44.5317
Supply System Charge	PhP/kWh	0.6237		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3511	33.3800	33.3800
Metering System Charge	PhP/kWh	0.3927		

B) EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			186.0946
Distribution System Charge	PhP/kWh	0.5036	0.5028	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		40.7483	40.7483
Supply System Charge	PhP/kWh	0.5707		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.8965	30.5441	30.5441
Metering System Charge	PhP/kWh	0.3593		

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, assuming that the rates as applied for under the TGP A Application docketed as ERC Case No. 2014-096 RC. DORECO further prays that its rates be increased or adjusted accordingly if the same is found to be reasonable, justified, and based upon the formula, after due evaluation by the Honorable Commission.

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 SitioEnergization 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 applications 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 SangguniangPanlungsod of Matiand SangguniangPanlalawigan of Davao Oriental
Kand series	Publication of the Application in a newspaper of general circulation in DORECO's franchise area or where it principally operates, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, Applicant DORECO 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			203.3731
Distribution System Charge	PhP/kWh	0.5504	0.5494	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.5317	44.5317
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B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
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Distribution Charges:				
Demand Charge	PhP/kW			186.0946
Distribution System Charge	PhP/kWh	0.5036	0.5028	

Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		40.7483	40.7483
Supply System Charge	PhP/kWh	0.5707		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.8965	30.5441	30.5441
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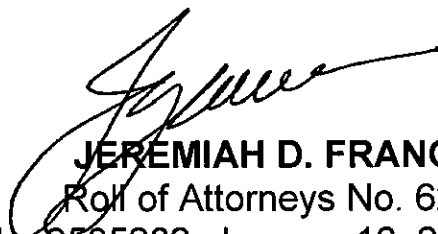
Other reliefs, just and equitable in the premises are likewise prayed for.

Pasig City, Metro Manila, January 12, 2018.

DECHAVEZ & EVANGELISTA LAW OFFICES¹
 Counsel for the Applicant
DAVAO ORIENTAL ELECTRIC COOPERATIVE, INC.
(DORECO)

Unit 2008, 20th Floor Tycoon Centre
 Pearl Drive, Ortigas Center, Pasig City 1605
 Tel. Nos. 9101587; 6619357
 Email: powerlawfirm@gmail.com

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

¹Pursuant 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

Republic of the Philippines)
Mati City, Davao Oriental) S.S.

**VERIFICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

Engr. Gregory A. Dukil, of legal age, Filipino and with office address at the main office of the Davao Oriental Electric Cooperative, Inc. (DORECO), National Highway, Madang, Mati City, Davao Oriental, after being sworn to according to law, depose and state that:

1. I am the Chief Executive Officer of the Davao Oriental Electric Cooperative, Inc. (DORECO);

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;

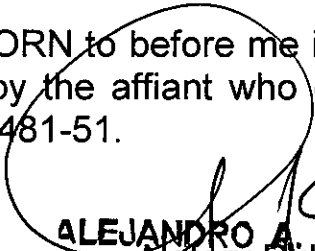
3. DORECO has not heretofore commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of my knowledge no such action or proceeding is pending, and if I should learn that the same or similar action or proceeding has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

Further, affiant sayeth naught.


GREGORY A. DUKIL
Affiant

SUBSCRIBED AND SWORN to before me in MATI CITY, DVO. OR.,
this 16 day of JAN 2018 by the affiant who exhibited to me his
BIR Tax Identification No. 114-481-51.

Doc. No. 131 ;
Page No. 27 ;
Book No. 306 ;
Series of 2018.


ALEJANDRO A. AQUINO
Notary Public
UNTIL DECEMBER 31 2018
IBP NO. 0022-01-03-2018
PTR NO. 0057283-01-04-18
MATI CITY, DAVAO ORIENTAL
TIN NO. 114-477-985
ROLL NO. 34047

VERIFICATION AND CERTIFICATION