

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Ortigas Avenue, Pasig City

SANGGUNIANG PANGUNGKONG
28 MAY 2018
CORRESPONDENCE NO.

RECEIVED
SANGGUNIANG PANGUNGKONG OFFICE

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
RATE ADJUSTMENT
ACCORDANCE WITH THE RULES
FOR SETTING THE ELECTRIC
COOPERATIVES WHEELING

BY _____
5/28/18
9:40 AM

ENERGY REGULATORY COMMISSION
RECEIVED
Date: MAY 29 2018
DOCKET/RECORDS

OFFICE OF THE CITY MAYOR
VICTORIAS CITY, NEGROS OCCIDENTAL
RECEIVED
25 MAY 2018
DATE: 2:30 PM

RECEIVED
SANGGUNIANG PANGUNGKONG
28 MAY 2018
DATE: 11:41 AM
BY: _____

(RSEC-WR),
PRAYER
FOR PROVISIONAL
VM / SP OFFICE

BY: _____
DATE: _____
ERC CASE NO. 2018-051 RC

Republic of the Philippines
City of Cadiz
OFFICE OF THE SANGGUNIANG PANGUNGKONG
RECEIVED
DATE: 5-28-18

**NORTHERN NEGROS ELECTRIC
COOPERATIVE, INC.**

MUNICIPALITY OF TOBOSO (NONECO),
OFFICE OF THE SANGGUNIANG PANGUNGKONG
Applicant.
RECEIVED
DATE: 5/28/18
TIME: 10:50 AM
APPLICATION
JEREMIAH G. BITO

OFFICE OF THE
SANGGUNIANG PANGUNGKONG
RECEIVED
DATE: 5/28/18
TIME: 4:50 PM

SIGNATURE: _____
Applicant, **NORTHERN NEGROS ELECTRIC COOPERATIVE
INC. ("NONECO")**, by undersigned counsel, most respectfully states:
THAT—

1. Applicant NONECO is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Barangay Tortosa, Manapla, Negros Occidental. It has an exclusive franchise to distribute electric service in the cities of Victorias, Cadiz, Sagay, Escalante, San Carlos and the municipality of E.B. Magalona, Manapla, Toboso and Calatrava, all in the province of Negros Occidental. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

2. Section 25 of the Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides that the retail rates charged by the Distribution Utilities (DUs) for the supply of their electricity in their captive market shall be subject to regulation by the Energy Regulatory Commission (ERC) based on the principle of full recovery of prudent and reasonable

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DATE: 5-29-18

economic costs incurred or such other principles that will promote efficiency as may be determined by this Honorable Commission.

3. On 23 September 2009, the Honorable Commission promulgated its Resolution No. 20, Series of 2009, entitled, "*A Resolution Adopting the Rules for Setting the Electric Cooperative's Wheeling Rates.*"¹ The said Rules embodied the new regulatory framework for Electric Cooperative ("EC") such as herein Applicant, and is designed to develop a more responsive tariff setting methodology for EC, encourage reforms in the structure and operations of ECs for greater efficiency and lower costs, and introduces a framework that allows efficiency gains to be shared between the EC and the end-users.

4. The RSEC-WR, as part of the new regulatory framework, introduced the concept of the Tariff Glide Path ("TGP"). Article VII of the RSEC-WR provides for a Tariff Glide Path whereby, during a Regulatory Period, EC may file for a rate adjustment using the formula and parameters provided by the Honorable Commission. Thus, the ERC promulgated Resolution No. 08, Series of 2011, entitled "*A Resolution Adopting the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperative's Wheeling Rates.*"² Under said Rules, the EC may file before the Honorable Commission for a rate adjustments on or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Period.³

5. Last April 30, 2015, Applicant filed its first TGP Application docketed as ERC Case No. 2015-085 MC (hereinafter referred to TGP A) and is now pending before this Honorable Commission. Considering that Applicant is now on the sixth regulatory year, Applicant now files the instant Application to seek an adjustment in the tariff rate pursuant or in compliance with Article VII of RSEC-WR and TGP Rules.

6. Basically, Applicant's Tariff Glide Path was computed in accordance with the formula provided in Article VII of the RSEC-WR, to wit:

$$\text{Tariff} \times (1 + \text{Index "I"} - \text{Efficiency Factor "X"}) + \text{Performance Incentive "S"}$$

While Index "I" pertains to escalation factor to be used in adjusting the rates to reflect current costs, the Efficiency Factor "X"

¹ Also known as the RSEC-WR.

² Also known as the TGP Rules.

³ Section 2.2 TGP Rules.

provides for the sharing of the EC's efficiency with the member-consumers. Meanwhile, Performance Incentive "S" is intended as a reward or punishment for the EC for above and below performance, respectively.

7. Using the above formula, Applicant NONECO determined its TGP B as follows:

TGP Including "S"

	Residential	Low Voltage	Higher Voltage
Distribution Charges:			
Demand Charge (PhP/kW)			236.09
Distribution System Charge (PhP/kWh)	0.6214	0.8162	
Supply Charges:			
Retail Customer Charge (PhP/Cust/Month)		46.13	46.13
Supply System Charge (PhP/kWh)	0.6449		
Metering Charges:			
Retail Customer Charge (PhP/Meter/Month)	5.37	38.62	38.62
Metering System Charge (PhP/kWh)	0.4649		

TGP Excluding "S"

	Residential	Low Voltage	Higher Voltage
Distribution Charges:			
Demand Charge (PhP/kW)			218.54
Distribution System Charge (PhP/kWh)	0.5752	0.7556	
Supply Charges:			
Retail Customer Charge (PhP/Cust/Month)		42.70	42.70
Supply System Charge (PhP/kWh)	0.5970		
Metering Charges:			
Retail Customer Charge (PhP/Meter/Month)	4.97	35.75	35.75
Metering System Charge (PhP/kWh)	0.4304		

8. TGP served as a cap on the adjustments. Relative thereto, EC may adjust its initial tariff either by increasing or moving up to the cap in case of positive adjustments, or reduce its tariff if the TGP is lower than the current average tariff. Notably, Applicant NONECO's computation of its Tariff Glide Path resulted in a positive adjustment from the existing rates. Accordingly, herein Applicant will be seeking to implement adjustments on its tariff rates accordingly up to the cap.

9. In the event the Honorable Commission approves the instant Application, there would be an increase in the current DSM being collected from Applicant's member-consumers. Below are the tables showing the summary of the existing tariff per customer class, the proposed tariff under TGP A⁴ and the new proposed rate (TGP B) in this instant application:

Residential Customers

	Existing Rate	Rate on TGP A (2015)		Proposed Rate	
		with "S"	without "S"	with "S"	without "S"
Distribution Charges:					
Demand Charge (PhP/kW)					
Distribution System Charge (PhP/kWh)	0.5782	0.6420	0.6287	0.6214	0.5752
Supply Charges:					
Retail Customer Charge (PhP/Cust/Month)					
Supply System Charge (PhP/kWh)	0.6001	0.6663	0.6525	0.6449	0.5970
Metering Charges:					
Retail Customer Charge (PhP/Meter/Month)	5.00	5.55	5.44	5.37	4.97
Metering System Charge (PhP/kWh)	0.4326	0.4803	0.4703	0.4649	0.4304

Low Voltage Customers

	Existing Rate	Rate on TGP A (2015)		Proposed Rate	
		with "S"	without "S"	with "S"	without "S"
Distribution Charges:					
Demand Charge (PhP/kW)					
Distribution System Charge (PhP/kWh)	0.7595	0.8432	0.8258	0.8162	0.7556
Supply Charges:					
Retail Customer Charge (PhP/Cust/Month)	42.92	47.65	46.67	46.13	42.70
Supply System Charge (PhP/kWh)					
Metering Charges:					
Retail Customer Charge (PhP/Meter/Month)	35.94	39.90	39.08	38.62	35.75
Metering System Charge (PhP/kWh)					

Higher Voltage Customers

	Existing Rate	Rate on TGP A (2015)		Proposed Rate	
		with "S"	without "S"	with "S"	without "S"
Distribution Charges:					
Demand Charge (PhP/kW)	219.68	243.90	238.85	236.09	218.54
Distribution System Charge (PhP/kWh)					
Supply Charges:					
Retail Customer Charge (PhP/Cust/Month)	42.92	47.65	46.67	46.13	42.70
Supply System Charge (PhP/kWh)					
Metering Charges:					
Retail Customer Charge (PhP/Meter/Month)	35.94	39.90	39.08	38.62	35.75
Metering System Charge (PhP/kWh)					

⁴ Subject of ERC Case No. 2015-085 MC.

10. The applicant's DSM rates were granted by the Honorable Commission way back in January 2010 and over the years, the cost of its operations has significantly increased not only as a logical effect of inflation and governmental requirements but more significantly, the cooperative has been implementing the Sitio Energization Program (SEP) and Barangay Line Enhancement Projects (BLEP) since year 2011. This massive extension of distribution lines and facilities up to the most remote and far-flung areas has considerably increased not only Applicant's operations and maintenance costs, but said projects also resulted to an increased in systems loss which will be absorbed by the cooperative.

11. Moreover, since Applicant NONECO's first TGP A application, which supposedly should have provided additional funds to defray the rapid rise of expenses, remain pending before this Honorable Commission, Applicant has been financially constrained in its operations and even in the implementation or maintenance of its programs. For instance, NONECO was not able to implement immediately the 2015 NEA Salary Standard for all its employees because of financial limitations. Unlike the other electric cooperatives who were able to implement employees' salary standard on a one time basis, NONECO has no choice but to implement it in three tranches for three years. As a result, the salary of NONECO's employees becomes uncompetitive and even unattractive, not only to those outside NONECO, but even to NONECO's employees. This created a problem on the part of NONECO in terms of keeping its employees from resigning and looking for better job opportunities, especially those who have already been trained to the level of competency.

12. Lastly, for NONECO to improve further its services to its consumers by providing the necessary logistics and adequate manpower resources so as to ensure power reliability within its franchise area, the need for timely implementation of the adjustments in rates is necessary. Thus, in order to achieve this and avert any prejudice that this will bring to the Applicant's customers in terms of the quality of its service, it is urgent that a provisional authority to implement the rate adjustments under this Application be immediately issued pending hearing of the instant Application;

13. In support of the instant Application and the prayer for the issuance of provisional authority, the following annexes are attached and made integral part hereof:

Documents	Annex
1. Board Resolution 58, Series of 2018	A
2. Summary of Calculation of TGP B	B
3. Computation of "I" and supporting documents	C
4. Computation of "X" and supporting documents	D
5. Computation of "S" and supporting documents	E
6. MFSR (Section B & E)	F
7. Billing Determinant Template (kW Demand)	G
8. Sample Bills (1 per customer type)	H
9. Regional CPI	I
10. RFSC / Reinvestment Fund Utilization	J
11. Consumer Complaints	K
12. Audited Financial Statement (AFS)	L

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that pending hearing of the instant Application, a provisional authority be issued authorizing Applicant to adjust its tariff rates as follows:

TGP including "S"

	Residential	Low Voltage	Higher Voltage
Distribution Charges:			
Demand Charge (PhP/kW)			236.09
Distribution System Charge (PhP/kWh)	0.6214	0.8162	
Supply Charges:			
Retail Customer Charge (PhP/Cust/Month)		46.13	46.13
Supply System Charge (PhP/kWh)	0.6449		
Metering Charges:			
Retail Customer Charge (PhP/Meter/Month)	5.37	38.62	38.62
Metering System Charge (PhP/kWh)	0.4649		

Further, it is likewise prayed that after trial and hearing, a DECISION be rendered PERMANENTLY APPROVING the adjustments in rates under the instant Application.

Applicant prays for such other relief just and equitable under the premises.

Pasig City, 24 May 2018.

NORTHERN NEGROS OCCIDENTAL ELECTRIC COOPERATIVE

Applicant

Crossing Tortosa, Barangay Tortosa
Manapla, Negros Occidental

By:



IRISH MAE V. RODRIGUEZ

Counsel for Applicant

Roll No. 55995

IBP O.R. No. 035453– April 23, 2018 – Bacolod City
PTR No. 7137425– Jan. 18, 2018 – Bacolod City
MCLE Compliance No. VI-000-2313, 16 May 2017.

Units 4&5, 3rd Flood St. Francis Centre Bldg.
Araneta Street, Singcang
Bacolod City

Mobile Number: (63) 917-129-2739

VERIFICATION/CERTIFICATION

I, **ATTY. DANNY L. PONDEVILLA**, Filipino, of legal age and with office NONECO Head Office, Barangay Tortosa, Manapla, Negros Occidental, after being sworn to in accordance with law, hereby depose and say, THAT-

1. I am the General Manager of Applicant Northern Negros Electric Cooperative, Inc. (NONECO);

2. Pursuant to the authority granted to me by Board of Directors of NONECO by virtue of Board Resolution No. 058, Series of 2018, I caused the preparation of this Amended Application entitled ***"In the Matter of the Application for the Approval of the Tariff Rate Adjustment in Accordance with the Rules for Setting the Electric Cooperatives Wheeling Rates (RSEC-WR), with Prayer for Provisional Authority,"*** and I have read and understood the allegations contained therein; and that all the facts stated therein are true and correct based on my personal knowledge and authentic records made available to me in the ordinary course of business of NONECO;

3. I am duly authorized by the Board of Directors to certify that NONECO has not heretofore commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency. A copy of the Board Resolution authorizing me to cause the preparation of the instant Amended Application and to sign this verification and certification is attached as **ANNEX "A"** and made an integral part hereof;

4. To the best of my knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other tribunal or agency;

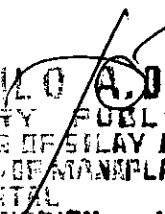
5. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature
this 25 day of MAY 2018 at MANAPLA, NEGROS OCCIDENTAL
Philippines.


ATTY. DANNY L. PONDEVILLA
Affiant

SUBSCRIBED and SWORN to before me this ___ day of
25 MAY 2018, affiant exhibited to me his _____ with expiry
date on _____ as competent proof of identity.

Doc. No. 48 ;
Page No. 10 ;
Book No. CXV ;
Series of 2018.


ATTY. DANILLO A. DANICO
NOTARY PUBLIC
FOR THE CITIES OF SILAY AND VICTORIAS
MUNICIPALITIES OF MANAPLA & E.B. MAGALONA
NEGROS OCCIDENTAL
NOTARIAL COMMISSION NO. 2017-02 NP
UNTIL DECEMBER 31, 2018
AP C.R. NO. 025430-1/10/18/PASIG CITY
PTB NO. 0997540, 1/3/18, E.B. MAGALONA
ROLL NO. 42597