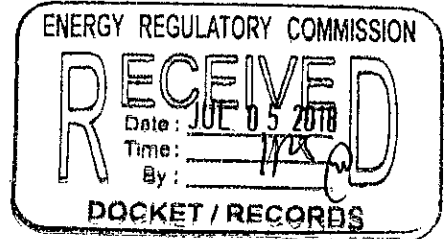


Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pacific Center Building  
San Miguel Avenue, Pasig City



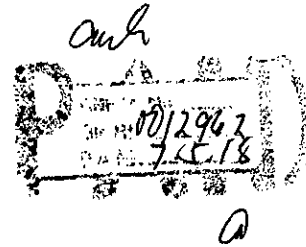
IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF ADJUSTMENT IN RATES  
PURSUANT TO THE TARIFF GLIDE  
PATH RULES, WITH PRAYER FOR  
PROVISIONAL AUTHORITY

ERC CASE NO. 2018-071-PL

LEYTE III ELECTRIC COOPERATIVE,  
INC. (LEYECO III),

Applicant.

X-----X



## APPLICATION

COMES NOW, applicant, **LEYTE III ELECTRIC COOPERATIVE, INC.** hereinafter referred to as '**LEYECO III**' for brevity, through the undersigned counsel, unto this Honorable Commission, most respectfully files this application for the approval of adjustment in rates pursuant to the Tariff Glide Path Rules, and in support thereof alleges, that:

### I. THE APPLICANT

1. LEYECO III is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Presidential Decree 269, as amended, with capacity to sue and be sued, with principal office at Brgy. San Roque, Tunga, Leyte, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ALLAN L. LANIBA, who was authorized to represent and file this application per Board Resolution nos. **2018-05-064 dated May 11, 2018**, copy of which are hereto attached as "**Annex A**". Likewise attached herein is the LEYECO III **Board Resolution no. 2018-05-067** engaging the services of undersigned counsel for this purpose, marked as "**Annex B**".

2. Applicant is a holder of exclusive franchise issued by National Electrification Administration (NEA) to operate an electric light and power distribution service in the north-eastern part of Leyte covering nine (9) municipalities, namely: Capoocan, Carigara, Barugo, San Miguel, Tunga, Alangalang, Jaro, Santa Fe and Pastrana. A copy of LEYECO III's Certificate of Franchise is hereto attached as "**Annex C**".

## **II. THE ANTECEDENT FACTS**

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

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

5. Pursuant to the RSEC-WR, in 2009, LEYECO III filed with the Honorable Commission an application for approval of proposed adjustment in its rates, docketed as ERC Case No. 2009- 108RC;

6. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the proposed rates in three-year tranches, with the following rate caps or initial tariffs on the Distribution, Supply and Metering (DSM) Charges being implemented starting at the end of the transition period, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.0557</b>	<b>1.1577</b>
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		<b>42.82</b>
Supply System Charge	PhP/kWh	<b>1.0282</b>	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo	<b>5.0000</b>	<b>29.12</b>
Metering System Charge	PhP/kWh	<b>0.5792</b>	

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

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

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.

8. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR. And under this rule ECs have 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.

9. Indeed, herein applicant LEYECO III had complied its periodic adjustment in rates pursuant to Tariff Glide Path (TGP) Rules, when it filed its **previous application docketed as ERC CASE No. 2015-164 RC on 15 September 2015**, with the proposed DSM Rate adjustment, to wit:

**A) WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.3716</b>	<b>1.5041</b>

<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		55.63
Supply System Charge	PhP/kWh	1.3358	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	6.50	37.83
Metering System Charge	PhP/kWh	0.7525	

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

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.3504	1.4809
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		54.78
Supply System Charge	PhP/kWh	1.3153	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	6.40	37.25
Metering System Charge	PhP/kWh	0.7409	

10. Thereafter, hearings had been conducted in which applicant LEYECO III presented all its witnesses and documentary evidences. Subsequently, after compliance of all submissions required by Honorable ERC, applicant LEYECO III had rested its case and filed its "Formal Offer of Documentary Exhibits" on May 19, 2017. However, until this date, applicant LEYECO III is still awaiting for the final resolution of the said previous Application docketed as ERC CASE No. 2015-164.

15. As noted in Paragraph 6 above however, the rates granted to LEYECO III do not include rates for Higher Voltage Customers;

16. The reason for the non-inclusion was that, at the time of filing said application, LEYECO III did not have any existing customers which could be classified as Higher Voltage Customers, and the cooperative was not expecting to have in the near future, any customers which would fall within the category of Higher Voltage hence, the exclusion in said application for approval of rates for higher voltage customers;

**IV. NEWLY PROPOSED RATE ADJUSTMENT**

17. Pending approval of previously applied Distribution, Supply & Metering (DSM) rates under ERC CASE No. 2015-164; herein Applicant LEYECO III which belongs to the third entrant group, is again proposing a newly adjusted DSM Rates for the next 3-year tranches following the Tariff Glide Path Rule, to wit:

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

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.2180</b>	<b>1.3356</b>
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		<b>49.40</b>
Supply System Charge	PhP/kWh	<b>1.1862</b>	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	<b>5.77</b>	<b>33.60</b>
Metering System Charge	PhP/kWh	<b>0.6682</b>	

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

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.1384</b>	<b>1.2484</b>
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		<b>46.18</b>
Supply System Charge	PhP/kWh	<b>1.1088</b>	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	<b>5.39</b>	<b>31.40</b>
Metering System Charge	PhP/kWh	<b>0.6246</b>	

18. Juxtapose with the pending approval of DSM rates proposed under ERC CASE No. 2015-164, herein Applicant LEYECO III is equally praying for the approval of the above calculated newly proposed DSM rates.

**V. SUPPORTING DATA AND DOCUMENTS**

19. 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	Nature of Document
D	Proposed TGP Calculation and supporting documents using the prescribed templates:
D-1	Index "I" Calculation
D-2	Efficiency Factor "X" Calculation
D-3	Performance Incentive "S" Calculation

E	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2014-2017)
F	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2014-2017)
G	Sample Bills (per customer type) (2014-2017)
H	Regional CPI (2014-2017)
I	RFSC/Reinvestment Fund Utilization (2015-2017)
J	Consumer Complaints (Summary or Tracking Form (2015-2017)
K	Audited Financial Statements (2015-2017)

## **VI. MOTION FOR THE ISSUANCE OF PROVISIONAL AUTHORITY**

20. All the forgoing allegations are repleaded by reference in support of the instant Motion for the issuance of provisional authority.

21. Applicant's current DSM rates for Residential and Lower Voltage Customers as granted by the Honorable Commission based on the RSEC-WR, were implemented by the cooperative in three (3) yearly tranches, which started way back in January 2010.

22. 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 is likely to absorb. 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.

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

24. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2019;

25. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective January 1, 2019. In support to the prayer for Provisional Authority, the Judicial Affidavit of LEYECO III's Finance Department Manager is hereto attached and made integral part of this application and marked as "**Annex L**"

## **VII. COMPLIANCE WITH PRE-FILING REQUIREMENTS**

26. Finally, LEYECO III has duly complied with the pre-filing requirements as required in Section 2, Rule 6, of ERC Rules of Practice and Procedure, by furnishing copies of the application together with its supporting annexes to the Sangguniang Bayan of Municipality of Tunga, Leyte where Applicant's principal office is located and in the Sangguniang Panlalawigan of the Province of Leyte where Applicant's franchise area is located. It likewise published the Application in its entirety in a newspaper of general circulation in the Province of Leyte, where the franchise area of Applicant LEYECO III is operating. Proofs of pre-filing compliance are hereby attached to form as integral part hereof, to wit:

Annex	Nature of Document
M to N	Proof of furnishing copies of the Application to the Sangguniang Bayan of Municipality of Tunga, Leyte; and Sangguniang Panlalawigan of the Province of Leyte
O to P	Proof of publication of the Application in a newspaper of general circulation in LEYECO III's franchise area or where its principally operating



**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, LEYECO III be allowed to implement effective January 1, 2019 either of the following two (2) alternative proposed new rates for Distribution, Supply and Metering (DSM) Charges for Residential, Low Voltage Customers, to wit:

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

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.2180</b>	<b>1.3356</b>
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		<b>49.40</b>
Supply System Charge	PhP/kWh	<b>1.1862</b>	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	<b>5.77</b>	<b>33.60</b>
Metering System Charge	PhP/kWh	<b>0.6682</b>	

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

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges:</b>			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	<b>1.1384</b>	<b>1.2484</b>

<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		<b>46.18</b>
Supply System Charge	PhP/kWh	<b>1.1088</b>	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo.	<b>5.39</b>	<b>31.40</b>
Metering System Charge	PhP/kWh	<b>0.6246</b>	

Other reliefs, just and equitable under the premises are likewise most respectfully prayed for.

RESPECTFULLY SUBMITTED.

Tacloban City for Pasig City, this 21<sup>st</sup> day of June 2018.

**ATTY. ROGELIO P. GULA**

Legal Counsel of LEYECO III

Email Address: [nhoygula@yahoo.com](mailto:nhoygula@yahoo.com)

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M.H. del Pilar St., Brgy. 8, 6500 Tacloban City, Leyte

Roll No. 48025; Lifetime IBP No. 07688; PTR No. 7737728, dtd. 2/15/18

MCLE Compliance No. V-0004452 valid until 4/14/2019

Republic of the Philippines)  
Province of Leyte ) S.s.

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

I, **ALLAN L. LANIBA, MM.MPA**, of legal age, Filipino and with office address at the main office of the Leyte III Electric Cooperative, Inc. (LEYECO III), Brgy. San Roque, Tunga, Leyte, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Leyte III Electric Cooperative, Inc. (LEYECO III), 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. LEYECO III 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.

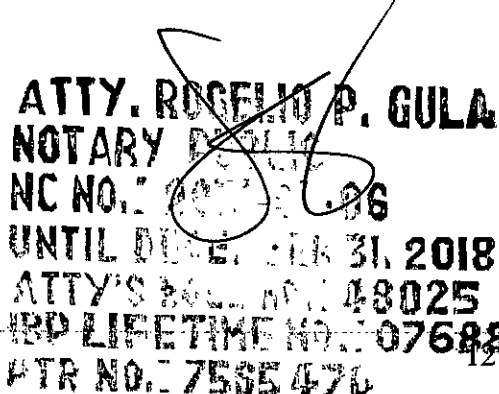
**IN WITNESS WHEREOF**, I have hereunto affixed my name and signature this 21<sup>st</sup> day of June 2018, Tacloban City, Leyte.

  
**ALLAN L. LANIBA**

Affiant

SUBSCRIBED AND SWORN to before me in Tunga, Leyte, this 21<sup>st</sup> day of June 2018, by the affiant who exhibited to me his proof of identity: SS 10 09-1747832-7

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Page No. 55  
Book No. YM  
Series of 2018

  
**ATTY. ROGELIO P. GULA**  
NOTARY PUBLIC  
NC NO. 0000000006  
UNTIL DECEMBER 31, 2018  
ATTY'S REG. NO. 48025  
IBP LIFETIME NO. 07688  
PTR NO. 7585476