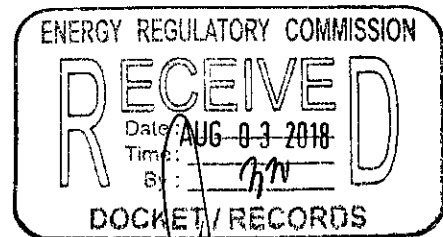


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pacific Center Building  
San Miguel Avenue, Pasig City

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  
FIRST REGULATORY  
PERIOD FOR THE THIRD  
ENTRANT ELECTRIC  
COOPERATIVES UNDER  
THE TARIFF GLIDE PATH  
(TGP) RULES, WITH  
MOTION FOR PROVISIONAL  
AUTHORITY



2018-090

ERC Case No. \_\_\_\_\_ RC

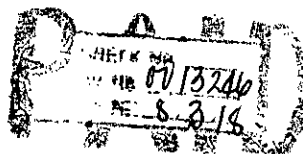
SAMAR II ELECTRIC  
COOPERATIVE, INC.  
(SAMELCO II),

Applicant.

X-----X

**APPLICATION**  
**With Motion for Provisional Authority**

Applicant, **SAMAR II ELECTRIC COOPERATIVE, INC. (SAMELCO II)**, through counsel, and to this Honorable Commission, respectfully alleges, that:



## **THE APPLICANT**

1. SAMELCO II 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 Brgy. Arado, Paranas, Samar;

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 Catbalogan and fifteen (15) municipalities in the province of Samar, namely: Jiabong, Motiong, Paranas, San Sebastian, Hinabangan, Calbiga, Pinabacdao, Villareal, Talalora, Sta Rita, Basey, Marabut, Daram, San Jose De Buan and Zumarraga.

## **NATURE OF APPLICATION**

3. The instant Application is being filed for the approval of SAMELCO II's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates based on the tariff glide path on the fourth to sixth regulatory years of the First Regulatory Period of the electric cooperatives belonging to the Third Entrant Group under the Tariff Glide Path Rules (TGP Rules), to be implemented on the first to third regulatory years of the Second Regulatory Period for electric cooperatives belonging to the Third Entrant Group under the TGP Rules and pursuant to said Rules, as well as other pertinent laws and rules.

## **STATEMENT OF FACTS**

4. Sometime in 2015, SAMELCO II 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. 2015 - 122 RC;

5. In the said application, SAMELCO II prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective January 2016, to wit:

**A. WITH PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			298.29
Distribution System Charge	PhP/kWh	0.9407	1.0309	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		44.70	44.70
Supply System Charge	PhP/kWh	0.8609		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.57	31.98	31.98
Metering System Charge	PhP/kWh	0.5087		

**B) EXCLUDING PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			292.13
Distribution System Charge	PhP/kWh	0.9213	1.0096	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		43.78	43.78
Supply System Charge	PhP/kWh	0.8431		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.45	31.32	31.32
Metering System Charge	PhP/kWh	0.4982		

6. Foregoing application was SAMELCO II’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 three (3) years thereafter;

7. SAMELCO II belongs to the Third Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2013 to December 31, 2018. Having filed its initial application for DSM rate adjustment in 2015 intended to take effect on the fourth year of the First Regulatory Period, the cooperative is filing the instant Application in the current year 2018, 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 Third Entrant Electric Cooperatives under the TGP Rules;

8. SAMELCO II's first TGP application under ERC Case No. 2015-122 RC is still pending evaluation of the Honorable Commission but in spite thereof, the cooperative adopted and used the proposed DSM rates in the said application as its 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, SAMELCO II 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 2016	0.00%	0.00%	1.70%	1.70%	0.00%
YEAR 2017	0.00%	0.00%	1.90%	1.90%	0.00%
YEAR 2018	3.09%	1.88%	2.10%	3.30%	1.20%
TOTAL				6.90%	1.20%

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

**A. WITH PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			318.88
Distribution System Charge	PhP/kWh	1.0057	1.1021	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		47.79	47.79
Supply System Charge	PhP/kWh	0.9203		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.95	34.19	34.19
Metering System Charge	PhP/kWh	0.5438		

**B) EXCLUDING PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			295.64
Distribution System Charge	PhP/kWh	0.9324	1.0217	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		44.31	44.31
Supply System Charge	PhP/kWh	0.8532		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.52	31.70	31.70
Metering System Charge	PhP/kWh	0.5042		

12. Consequently, SAMELCO II respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, effective January 1, 2019 and up to December 31, 2021.

**SUPPORTING DATA AND DOCUMENTS**

13. In support of the foregoing computations, SAMELCO II 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 (2014-2017)
C	Billing Determinants Template (2014-2017 kWh Sales, No. of Customers and kW Demand)
D	Sample Bills per customer type (2014-2017)
E	Regional CPI (2014-2017)
F	RFSC Utilization (2015-2017)
G	Consumer Complaints Summary or Tracking Form (2015-2017)
H	Audited Financial Statements (2015-2017)

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY**

14. SAMELCO II respectfully repleads herein the foregoing allegations;

15. The cooperative respectfully prays that it be allowed to implement the proposed rate adjustment starting January 1, 2019, 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 and succeeding Regulatory Periods and the First Year of the Second Regulatory Period and succeeding Regulatory Periods. However, the adjustment for the First Year of the Second Regulatory Period and succeeding Regulatory Periods will be subject to the revised tariff caps calculated in accordance with Section 3 of these Rules***" (Emphasis ours)

16. Under the TGP Rules, 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 and the start of the Fourth Regulatory Year is January 1, 2016. SAMELCO II belongs to the Third Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2019;

17. Aside from the foregoing, SAMELCO II further prays for provisional authority to implement the proposed rates effective January 1, 2019 and even during the pendency of the instant application, considering that it 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, the cooperative's service to its consumers will be prejudiced.

19. Considering foregoing, it is respectfully prayed that SAMELCO II be allowed to implement the proposed DSM Rates effective January 1, 2019, 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 under the ERC Rules of Practice and Procedure, SAMELCO II 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

	<b>Authority</b>
<b>J and series</b>	Proof of furnishing copies of the Application to the Sangguniang Bayan of Paranas and Sangguniang Panlalawigan of Samar
<b>K and series</b>	Proof of publication of the Application in a newspaper of general circulation in SAMELCO II's franchise area or where it principally operates

## PRAYER

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that effective January 2019, whether upon initial evaluation hereof or after due notice and hearing, Applicant SAMELCO II be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/Kw			<b>318.88</b>
Distribution System Charge	PhP/kWh	<b>1.0057</b>	<b>1.1021</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>47.79</b>	<b>47.79</b>
Supply System Charge	PhP/kWh	<b>0.9203</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.95</b>	<b>34.19</b>	<b>34.19</b>
Metering System Charge	PhP/kWh	<b>0.5438</b>		

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/Kw			<b>295.64</b>
Distribution System Charge	PhP/kWh	<b>0.9324</b>	<b>1.0217</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>44.31</b>	<b>44.31</b>
Supply System Charge	PhP/kWh	<b>0.8532</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.52</b>	<b>31.70</b>	<b>31.70</b>
Metering System Charge	PhP/kWh	<b>0.5042</b>		




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

Pasig City, Metro Manila, July 20, 2018.

**DECHAVEZ LERIOS-AMBOY AND EVANGELISTA  
LAW OFFICES<sup>1</sup>**  
Counsel for the Applicant  
**SAMAR II ELECTRIC COOPERATIVE, INC. (SAMELCO II)**  
Unit 2008, 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. 3897262, January 16, 2018, Pasig City  
IBP Lifetime Member No. 015204, Masbate City

<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
Ditas A. Lerios-Amboy	V-0016672	March 6, 2016
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**


I, Joey L. Talon, of legal age, Filipino and with office address at the main office of the Samar II Electric Cooperative, Inc. (SAMELCO II), Brgy.Arado, Paranas, Samar, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Samar II Electric Cooperative, Inc. (SAMELCO II), 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;

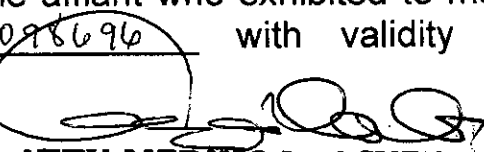
2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records;

3. SAMELCO II 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.

  
**JOEY L. TALON**  
Affiant

SUBSCRIBED AND SWORN to before me in Catbalogan City, this 25 JUL 2018 day of March 2018, by the affiant who exhibited to me his PRC License bearing No. 00986696 with validity until 1/21/2020.

  
**ATTY. MEDINO L. ACUBA**  
Notary Public  
Commission No. 07-11-3-17  
Per Notary Public  
and the Province of Samar  
Until 31 December 2019  
196 San Bartolome St. Catbalogan City  
Roll of Attorneys No. 26781  
IBP Lifetime Member Roll No. 011174  
PTR No. 5628131 Catbalogan City, 03 January 2018

Doc. No. 079 ;  
Page No. 017 ;  
Book No. 311 ;  
Series of 2018.