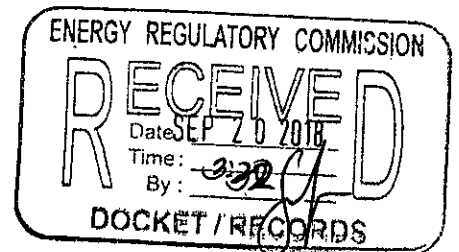


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

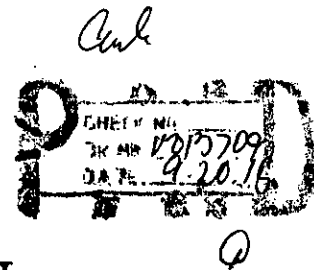
IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF ADJUSTMENT IN
RATES BASED ON THE TARIFF
GLIDE PATH FOR THE FOURTH TO
SIXTH REGULATORY YEARS OF
THE FIRST REGULATORY PERIOD
(TGP-B) COVERING YEARS 2014 -
2016 FOR THE FIRST ENTRANT
GROUP, WITH MOTION FOR
PROVISIONAL AUTHORITY



ERC CASE NO. 2018-096 RC

LEYTE II ELECTRIC
COOPERATIVE, INC. (LEYECO II),
Applicant.

X-----X



APPLICATION

APPLICANT LEYTE II ELECTRIC COOPERATIVE, INC. (LEYECO II), by counsels, unto this Honorable Commission, most respectfully alleges, that:

THE APPLICANT

1. LEYECO II is a non-stock, non-profit electric cooperative, duly organized, registered and existing under and by virtue of Presidential Decree No. 269, as amended, with principal office address at Barangay 57, Real St., Sagkahan District, Tacloban City, Leyte, Philippines;
2. LEYECO II holds an exclusive franchise, issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of Tacloban and in the Municipalities of Palo and Babatngon, all in the Province of Leyte;

A copy of the *Certificate of Franchise* is hereto attached as **ANNEX "A"** and made as integral part hereof.

3. Applicant is represented in this case by its General Manager Engr. Fernan Paul R. Tan who is duly authorized to file the instant application per *Board Resolution No. 057-04-2018* and *Resolution No. 144-08-2018*. Copies of which are hereto attached duly marked as **ANNEX "B"** and **"C"** and made as an integral part hereof.
4. The Legal Counsels of LEYECO II were also duly authorized to represent the Applicant in this case per *Board Resolution No. 058-04-2018* and *Resolution No. 059-04-2018*. Copies of which are hereto attached duly marked as **ANNEX "D"** and **"D-1"**, respectively, and made as an integral part hereof.

NATURE AND LEGAL BASES OF THE APPLICATION

5. This Application is pursuant to the Energy Regulatory Commission (ERC) 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 Cooperatives' Wheeling Rates*" (TGP Rules).
6. The instant Application is being filed for the approval of LEYECO II's proposed adjustment in its Distribution, Supply and Metering (DSM) Charges covering the *Fourth to Sixth Regulatory Years* of the *First Regulatory Period* (TGP-b covering years 2014-2016) for First Entrant Group Electric Cooperatives;

STATEMENT OF THE FACTS

7. The initial DSM charges of LEYECO II were set after the implementation of the RSEC-WR. Based on that rate-setting rules LEYECO II was classified under Group "G".
8. On May 16, 2013 LEYECO II filed with this Honorable Commission an application for the approval of the proposed adjustment in its DSM Rates for the First to Third Year of the First Regulatory Period (TGP-a covering

years 2011-2013) pursuant to the TGP Rules docketed as ERC Case No. 2013-103 RC.

9. In the said application, LEYECO II prayed for the approval either of the following proposed alternative rates for its DSM Charges starting January 2014 up to the next regulatory reset, to wit:

Type of Customer	Particulars	Unit	Alternative (1) Rate @ 1 st TGP Adjustment with Performance Incentive "S"	Alternative (2) Rate @ 1 st TGP Adjustment without Performance Incentive "S"
Residential	Distribution	PhP/kWh	0.2956	0.2805
	Supply	PhP/kWh	0.4453	0.4226
	Metering	PhP/kWh	0.3722	0.3532
	Metering	PhP/Meter/mo	5.38	5.10
Low Voltage	Distribution	PhP/kWh	0.4032	0.3826
	Supply	PhP/customer /mo	64.25	60.97
	Metering	PhP/Meter/mo	59.08	56.06
Higher Voltage	Distribution	PhP/kWh	127.52	121.00
	Supply	PhP/customer /mo	64.25	60.97
	Metering	PhP/Meter/mo	59.08	56.06

10. The foregoing application was LEYECO 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.

11. LEYECO II belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. Having filed its initial application for DSM rate adjustment, LEYECO II is again filing the instant application for the proposed adjustment in its DSM rates covering the fourth to sixth regulatory years of the First Regulatory Period for the First Entrant Group.

12. ERC Case No. 2013-103 RC is still pending with the Honorable Commission. However, for presentation and reference purposes, LEYECO II assumed, and adopted as

a premise, in this application that the aforesaid proposed DSM rate application in ERC Case No. 2013-103 RC is approved as applied.

THE PROPOSED APPLICATION

13. Section 3.3 of the TGP Rules states:

“The EC shall use the following formula in determining the Tariff Glide Path for the fourth to sixth years of the Regulatory period:

$$TGPB = TGP_n + TGP_{n+1} + TGP_{n+2}$$

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 the starting the First Year of the next Regulatory Period.”

14. Applying the method provided in the said TGP Rules, LEYECO II calculated the values of the “I”, “X” and “S”. The following were the results of the computations, to wit:

	"I"	"X"	"S"	TGP B	TGP B (excluding S)
YEAR 2014	4.83%	0.00%	2.30%	7.13%	4.83%
YEAR 2015	45.65%	0.00%	2.10%	47.75%	45.65%
YEAR 2016	0.00%	5.77%	2.50%	-3.27%	-5.77%
TOTAL				51.60%	44.70%

15. Based on the foregoing computations the DSM Rate of LEYECO II resulted to an adjustment either with “S” or without “S”, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			193.33
Distribution System Charge	Php/kWh	0.4481	0.6112	
Supply Charges:				
Retail Customer Charge	Php/Customer /Mo		97.41	97.41
Supply System Charge	PhP/kWh	0.6751		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	8.15	89.56	89.56
Metering System Charge	PhP/kWh	0.5643		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			175.10
Distribution System Charge	Php/kWh	0.4059	0.5536	
Supply Charges:				
Retail Customer Charge	Php/Customer /Mo		88.22	88.22
Supply System Charge	PhP/kWh	0.6115		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	7.38	81.12	81.12
Metering System Charge	PhP/kWh	0.5110		

16. The summary of the calculations incorporating the various factors are indicated in prescribed template is hereto attached duly marked as ANNEX "E" and made as an integral part hereof;

17. Hence, LEYECO II respectfully prays that it be allowed to implement the proposed DSM rates effective January 1, 2019 up to December 31, 2021;

SUPPORTING DATA AND DOCUMENTS

18. In support of the foregoing computations, LEYECO II is submitting herewith the following documents and are made as an integral part of this application, to wit:

ANNEX	NATURE OF DOCUMENT
E	Proposed TGP Calculations and supporting documents using the prescribed templates
E - 1	Index "I" Calculation (2013 - 2016)
E - 2	Efficiency Factor "X" Calculation (2013 - 2016)
E - 3	Performance Incentive "S" Calculation (2014 - 2016)
F	MFSR (Sections B & E) (2012 - 2015)
G	Billing Determinants Template (Kwh Sales, No. of Consumers, Kw Demand, System Loss) (2012 - 2015)
H	Sample Bills (per customer type) (2012 - 2015)
I	Regional CPI (2012 - 2015)
J	RFSC/Reinvestment Fund Utilization (2013 - 2015)
K	Consumer Complaints (Summary or Tracking Form) (2013 - 2015)
L	Audited Financial Statements (2013 - 2015)

MOTION FOR PROVISIONAL AUTHORITY¹

19. LEYECO II respectfully adopts and re-pleads the foregoing allegations in so far as relevant to the motion for provisional authority.

20. Records will show that LEYECO II has been operating using the initial DSM rate as provided under the RSEC-WR. No reset have yet been implemented since then and

¹ Section 1, Rule 14, ERC Rules of Practice and Procedure: For applications or petitions covered by Section 1 of Rule 6, the motion for provisional authority shall be included in the application or petition and the caption of the pleading shall clearly indicate that such relief is requested.

the TGPa application remains pending with the Honorable Commission.

21. Since the implementation of the initial DSM rate in 2010, there has been continuing substantial increase of operational cost, i.e. fuel, materials, tools, office supplies and wages. Not to mention the government electrification programs (i.e. NIHE, Sitio Electrification) that normally require additional cost which are taken from the operational funds of the cooperative.
22. There has been a rampant demand from LEYECO II's labor force for wage increase due to the increasing prices of commodities worth mentioning the effects of TRAIN Law thus materially affecting cost of living. Since 2013 or for more than five years (5) now, salaries of rank and file employees have not been changed and it is a struggle of management to put a collective bargaining agreement under status quo. In fact, a Notice of Strike has been filed last September 19, 2017 for this cause but LEYECO II finances are tied up to DSM Rate increase.
23. Cost-cutting measures and multi-tasking were being implemented by LEYECO II in order for it to survive especially during years after Super Typhoon Yolanda (November 2013) and earthquake (July 2016). Despite of these means, LEYECO II can hardly recover considering the fixed costs it incurred monthly versus the gradual increase in revenue it generated from restoration billings. As such, there are needed programs of the cooperative to keep track of recent regulations especially on open access that are put on hold due to tight budgeting. One of which is LEYECO II's plan for organizational re-alignment. There are positions already needed to be filled-up by the cooperative to keep abreast of recent regulations (*additional manpower for record keeping and remittances of new pass-on charges LEYECO II as collection facility like FIT-ALL rate and PSALM rates, WESM trading, corporate planning*) and those that were vacated due to retirement but are still vacant due to budget constraint. In corporate essence, we are aware that permanent multi-tasking is not good but DSM rate is our constraint.
24. As confirmed in the computations made using the formula and models provided by the Honorable Commission, LEYECO II's DSM rate needs to be adjusted

in order for it to efficiently perform its duties as a public utility.

25. It is for those significant reasons that LEYECO II respectfully prays that it be allowed to implement provisionally the proposed DSM rate with “S”.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission, that:

1. The incorporated *Motion for Provisional Authority* be granted; and
2. LEYECO II be allowed to implement either of the two 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
Distribution Charges:				
Demand Charge	PhP/kW			193.33
Distribution System Charge	Php/kWh	0.4481	0.6112	
Supply Charges:				
Retail Customer Charge	Php/Customer /Mo		97.41	97.41
Supply System Charge	PhP/kWh	0.6751		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	8.15	89.56	89.56
Metering System Charge	PhP/kWh	0.5643		

B. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			175.10
Distribution System Charge	Php/kWh	0.4059	0.5536	
Supply Charges:				
Retail Customer Charge	Php/Customer /Mo		88.22	88.22
Supply System Charge	PhP/kWh	0.6115		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	7.38	81.12	81.12
Metering System Charge	PhP/kWh	0.5110		

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

Tacloban City, Philippines, September 7, 2018.

Respectfully submitted



ATTY. EDSON G. PICZON

Counsel for LEYECO II

Roll No. 62018

IBP Lifetime No. 018202; IBP Leyte Chapter

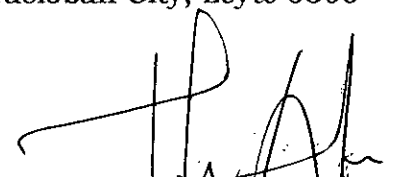
PTR No. 7705263; 1/22/2018; Tacloban City

TIN No. 937468765000

MCLE Compliance: MCLE V-0006644 March 5, 2015

LEYECO II Main Office, Real St., Sagkahan

Tacloban City, Leyte 6500



ATTY. TYRONE JAN G. ALBAO

Co-Counsel for LEYECO II

Roll No. 66859; 5/23/2017

IBP No. 024839; 1/5/2018; IBP Leyte

PTR No. 0968129; 1/5/2018; Tacloban City

TIN No. 265-034-832-000

MCLE Compliance: Newly Admitted to the Bar; 5/22/2017

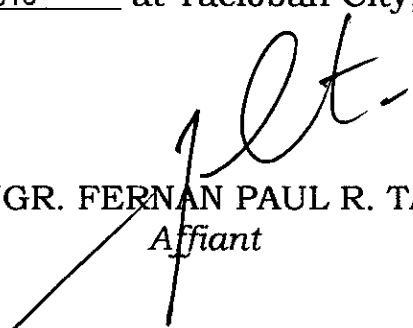
Republic of the Philippines)
TACLOBAN CITY) S.S.

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, ENGR. FERNAN PAUL R. TAN, of legal age, Filipino and with office address at the LEYECO II Main Office, Barangay 57, Real St. Sagkahan District, Tacloban City, after being sworn to according to law, depose and state that:

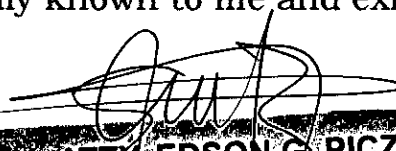
1. I am the incumbent General Manager of the Leyte II Electric Cooperative, Inc., (LEYECO II), duly authorized to represent the cooperative in filing the instant application, per Board Resolutions No. 057-04-2018 and No. 144-08-2018;
2. I caused the preparation and filing of the foregoing Application, have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records in possession of the cooperative;
3. LEYECO 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.

IN WITNESS WHEREOF, I have hereunto affixed my signature
this 07 SEP 2018 at Tacloban City, Leyte, Philippines.


ENGR. FERNAN PAUL R. TAN
Affiant

SUBSCRIBED AND SWORN to before me in Tacloban City this
07 SEP 2018. Affiant is personally known to me and exhibited to
me his SSS ID No. 06-1461403-1.

Doc No. 347;
Page No. 72;
Book No. IN;
Series of 2018.


ATTY. EDSON G. PICZON
NOTARY PUBLIC/ Rol No. 62018
for Tacloban City and Province of Leyte
NC-2017-01-23; until Dec. 31, 2018
IBP No. 018202; IBP Leyte
PTR No. 7705263; 01/22/2018; Tacloban City
Compliance: MCLE V-0006644 March 5, 2015
TIN No. 937468765000; attypiczon@gmail.com
M.B. YU BLDG. REAL ST. TACLOBAN CITY
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