

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



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

ERC CASE NO. 2017-058 RC

**ZAMBOANGA DEL SUR II
ELECTRIC COOPERATIVE,
INC. (ZAMSURECO II),**

Applicant.

X-----X

D O C K E T E D
Date: OCT 03 2017
By: [Signature]

ORDER

On 14 June 2017, Zamboanga del Sur II Electric Cooperative, Inc. (ZAMSURECO II) filed an Application dated 29 May 2017 (*Application*) seeking the Commission's approval for the adjustment in its rates in accordance with the rules governing the tariff glide path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR) with prayer for the issuance of provisional authority.

In its *Application*, ZAMSURECO II alleged the following:

THE APPLICANT

1. ZAMSURECO 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 offices at Pangil, Ipil, Zamboanga Sibugay;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and

power distribution service in the municipalities of Lakewood, Bayog, and Kumalarang, Province of Zamboanga del Sur; Buug, Diplahan, Malangas, Imelda, Alicia, Payao, Siay, Kabasalan, Naga, Ipil, Titay, Roseller T. Lim, Tungawan, Mabuhay, Talusan and Olutanga, Province of Zamboanga Sibugay; Sirawai, Siocon, Sibuco and Baliguian, Province of Zamboanga del Norte; and the district of Vitali, Zamboanga City.

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 the proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2014-103RC.
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		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			230.70
Distribution System Charge	PhP/kWh	0.6072	0.7976	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.07	45.07
Supply System Charge	PhP/kWh	0.6302		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.25	37.74	37.74
Metering System Charge	PhP/kWh	0.4543		

b) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			228.94

Distribution System Charge	PhP/kWh	0.6026	0.7915	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.73	44.73
Supply System Charge	PhP/kWh	0.6254		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.21	37.45	37.45
Metering System Charge	PhP/kWh	0.4508		

6. 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 three 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 in 2014, 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. The first TGP Application under ERC Case No. 2014-103 RC has already been heard on the merits and now submitted for evaluation. Despite the pendency of ERC Case No. 2014-103 RC, Applicant is constrained to adopt and use the proposed DSM rates in said pending application as 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, herein 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%	0.00%	0.80%	0.80%	0.00%
YEAR 2016	0.00%	3.86%	1.20%	-2.66%	-3.86%
YEAR 2017	0.00%	0.00%	1.60%	1.60%	0.00%
TOTAL				-0.26%	-3.86%

11. Utilizing the above values will result in adjustments in the cooperative'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			230.09
Distribution System Charge	PhP/kWh	0.6056	0.7955	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.95	44.95
Supply System Charge	PhP/kWh	0.6285		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.24	37.64	37.64
Metering System Charge	PhP/kWh	0.4531		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			220.10
Distribution System Charge	PhP/kWh	0.5793	0.7609	
Supply Charges:				
Retail Customer Charge	PhP/Customer		43.00	43.00

	/Mo			
Supply System Charge	PhP/kWh	0.6012		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.01	36.01	36.01
Metering System Charge	PhP/kWh	0.4334		

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.

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 the cooperative 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 the cooperative’s DSM revenues granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives’ Wheeling Rates (RSEC-WR), is no longer sufficient to cover those costs, and if not addressed accordingly with the 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 application is 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
J and series	Proof of furnishing copies of the Application to the Sangguniang Bayan of Ipil and Sangguniang Panlalawigan of Zamboanga Sibugay
K and series	Publication of the Application in a newspaper of general circulation in ZAMSURECO II'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 either upon initial evaluation or after due notice and hearing, Applicant ZAMSURECO II 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			230.09
Distribution System Charge	PhP/kWh	0.6056	0.7955	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.95	44.95
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B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			220.10

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Distribution System Charge	PhP/kWh	0.5793	0.7609	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		43.00	43.00
Supply System Charge	PhP/kWh	0.6012		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.01	36.01	36.01
Metering System Charge	PhP/kWh	0.4334		

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

Finding the said Application sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **25 October 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.), at ZAMSURECO II's principal office at Pangil, Ipil, Zamboanga Sibugay.**

Accordingly, ZAMSURECO II is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City or Municipal Mayors, District Representative, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on

Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and

- 5) Furnish with copies of the Application and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing, consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing, consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, District Representative, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the Application and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-trial

Conference, their respective Pre-trial Briefs containing, among others:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

ZAMSURECO II must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 27 September 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-In-Charge of ERC

LS: 
MCC/ARG/APV

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Copy Furnished:

1. Dechavez & Evangelista Law Offices
Counsel for Applicant ZAMSURECO II
Units 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City
2. Zamboanga Del Sur II Electric Cooperative, Inc. (ZAMSURECO II)
Applicant
Pangi, Ipil, Zamboanga Sibugay
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard
Pasay City, Metro Manila
6. House Committee on Energy
Batasan Hills
Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio
Taguig City
8. Office of the Provincial Governor
Province of Zamboanga Sibugay
9. Office of the LGU Legislative Body
Province of Zamboanga Sibugay
10. Office of the Provincial Governor
Province of Zamboanga del Norte
11. Office of the LGU Legislative Body
Province of Zamboanga del Norte
12. Office of the Provincial Governor
Province of Zamboanga del Sur
13. Office of the LGU Legislative Body
Province of Zamboanga del Sur
14. Office of the Municipal Mayor
Lakewood, Zamboanga del Sur
15. Office of the LGU Legislative Body
Lakewood, Zamboanga del Sur
16. Office of the Municipal Mayor
Bayog, Zamboanga del Sur
17. Office of the LGU Legislative Body
Bayog, Zamboanga del Sur
18. Office of the Municipal Mayor
Kumalarang, Zamboanga del Sur

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19. Office of the LGU Legislative Body
Kumalarang, Zamboanga del Sur
20. Office of the Municipal Mayor
Buug, Zamboanga Sibugay
21. Office of the LGU Legislative Body
Buug, Zamboanga Sibugay
22. Office of the Municipal Mayor
Diplahan, Zamboanga Sibugay
23. Office of the LGU Legislative Body
Diplahan, Zamboanga Sibugay
24. Office of the Municipal Mayor
Malangas, Zamboanga Sibugay
25. Office of the LGU Legislative Body
Malangas, Zamboanga Sibugay
26. Office of the Municipal Mayor
Imelda, Zamboanga Sibugay
27. Office of the LGU Legislative Body
Imelda, Zamboanga Sibugay
28. Office of the Municipal Mayor
Alicia, Zamboanga Sibugay
29. Office of the LGU Legislative Body
Alicia, Zamboanga Sibugay
30. Office of the Municipal Mayor
Payao, Zamboanga Sibugay
31. Office of the LGU Legislative Body
Payao, Zamboanga Sibugay
32. Office of the Municipal Mayor
Siay, Zamboanga Sibugay
33. Office of the LGU Legislative Body
Siay, Zamboanga Sibugay
34. Office of the Municipal Mayor
Kabasalan, Zamboanga Sibugay
35. Office of the LGU Legislative Body
Kabasalan, Zamboanga Sibugay
36. Office of the Municipal Mayor
Naga, Zamboanga Sibugay
37. Office of the LGU Legislative Body
Naga, Zamboanga Sibugay
38. Office of the Municipal Mayor
Ipil, Zamboanga Sibugay
39. Office of the LGU Legislative Body
Ipil, Zamboanga Sibugay
40. Office of the Municipal Mayor
Titay, Zamboanga Sibugay

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41. Office of the LGU Legislative Body
Titay, Zamboanga Sibugay
42. Office of the Municipal Mayor
Roseller T. Lim, Zamboanga Sibugay
43. Office of the LGU Legislative Body
Roseller T. Lim, Zamboanga Sibugay
44. Office of the Municipal Mayor
Tungawan, Zamboanga Sibugay
45. Office of the LGU Legislative Body
Tungawan, Zamboanga Sibugay
46. Office of the Municipal Mayor
Mabuhay, Zamboanga Sibugay
47. Office of the LGU Legislative Body
Mabuhay, Zamboanga Sibugay
48. Office of the Municipal Mayor
Talusan, Zamboanga Sibugay
49. Office of the LGU Legislative Body
Talusan, Zamboanga Sibugay
50. Office of the Municipal Mayor
Olutanga, Zamboanga Sibugay
51. Office of the LGU Legislative Body
Olutanga, Zamboanga Sibugay
52. Office of the Municipal Mayor
Sirawai, Zamboanga del Norte
53. Office of the LGU Legislative Body
Sirawai, Zamboanga del Norte
54. Office of the Municipal Mayor
Siocon, Zamboanga del Norte
55. Office of the LGU Legislative Body
Siocon, Zamboanga del Norte
56. Office of the Municipal Mayor
Sibuco, Zamboanga del Norte
57. Office of the LGU Legislative Body
Sibuco, Zamboanga del Norte
58. Office of the Municipal Mayor
Baliguian, Zamboanga del Norte
59. Office of the LGU Legislative Body
Baliguian, Zamboanga del Norte
60. Office of the City Mayor
Zamboanga City
61. Office of the LGU Legislative Body
Zamboanga City
62. Office of the District Representative
District of Vitali, Zamboanga City

63. Office of the LGU Legislative Body
District of Vitali, Zamboanga City

64. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Building
San Miguel Avenue, Ortigas Center, Pasig City