

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
TARIFF GLIDE PATH "B"
(TGP "B") CALCULATION
PURSUANT TO ARTICLE
VII OF THE RSEC-WR
AND ERC RESOLUTION
NO. 8, SERIES OF 2011,
WITH PRAYER FOR
PROVISIONAL
AUTHORITY**

ERC CASE NO. 2018-025 RC

**CEBU III ELECTRIC
COOPERATIVE, INC.
(CEBECO III),**

Applicant.

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Promulgated:
MAR 13 2019

ORDER

On 26 April 2018, the Cebu III Electric Cooperative Inc. (CEBECO III) filed an *Application* dated 19 April 2018, seeking the approval of the Tariff Glide Path "B" (TGP "B") calculation pursuant to Article VII of the RSEC-WR and Commission's Resolution No. 8, Series of 2011, with a prayer for provisional authority.

On 18 June 2018, the Commission issued an *Order and Notice of Public Hearing*, setting the instant *Application* for initial hearing on 19 September 2018.

On 24 August 2018, CEBECO III filed an *Urgent Motion for Resetting (Motion) and to Admit Amended Application* due to discrepancy discovered in its metering facility which affected the proposed TGP "B" of the applicant.

In the said *Amended Application*, CEBECO III alleged the following, among others:

THE APPLICANT

1. Applicant CEBECO III is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Luray II, Toledo City, Cebu, Philippines, represented herein by its General Manager, Virgilio C. Fortich, Jr., duly authorized by virtue of Board Resolution No. 97, series of 2018 dated 30 June 2018 of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof.

The filing of the instant **amended** Application is likewise authorized under the aforementioned Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Toledo and the Municipalities of Aloguinsan, Pinamungajan, Balamban and Asturias, all in the province of Cebu;

THE APPLICATION AND ITS PURPOSE

3. That, on September 23, 2009, the Honorable Commission issued and approved Resolution No. 20 Series of 2009, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR;
4. That, pursuant to the afore-mentioned ERC Resolution, Applicant filed an Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on October 21, 2009. Accordingly, after the required public hearing, ERC in its Order dated January 11, 2010 granted Applicant the following provisional rates:

Particulars		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
	PhP/kW			190.03
	PhP/kWh	0.5143	0.5134	
Supply Charges:				
	PhP/cust/mo		41.61	41.61
	PhP/kWh	0.5828		
Metering Charges:				
	PhP/cust/mo	5.00	31.19	31.19
	PhP/kWh	0.3669		

5. That, on April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;
6. That, after series of public consultations conducted by the ERC in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the “Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric cooperatives’ Wheeling Rates;
7. That, pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index “I”} - \text{Efficiency Factor “X”} + \text{Performance Incentive “S”}]$$

The Index, “I” shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the load growth. 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 the above or below standard performance, respectively.

8. Accordingly, on 08 October 2013, Applicant CEBECO III filed an application for the approval of the proposed Tariff Glide Path calculation for the first to the third year of the first regulatory period (**TGP “A”**) docketed as ERC Case No. 2013-089 RC as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5143	0.5789	0.5342
	Supply	PhP/kWh	0.5828	0.6560	0.6053
	Metering	PhP/kWh	0.3669	0.4130	0.3811
	Metering	PhP/meter/mo	5.00	5.63	5.19
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5779	0.5332
	Supply	PhP/cust/mo	41.61	46.84	43.22
	Metering	PhP/meter/mo	31.19	35.11	32.40
HIGHER VOLTAGE	Distribution	PhP/kW	190.03	213.90	197.37
	Supply	PhP/cust/mo	41.61	46.84	43.22
	Metering	PhP/meter/mo	31.19	35.11	32.40

9. Pending resolution of ERC Case No. 2013-089 RC, on 25 May 2016, Applicant requested the Honorable Commission to allow CEBECO III to defer the latter’s filing of the Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (**TGP “B”**), which was due for filing on 30 April 2016 considering that the resolution of the proposed TGP “A”

calculation is imperative in the computation for the TGP “B” calculation.

10. Recently, the Regulatory Operation Services Department of the Honorable Commission advised Applicant to file its proposed Tariff Glide Path calculation (TGP “B”) using the proposed TGP “A” calculation.
11. Accordingly, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (TGP “B”)

11.a. Index “I” Calculation

11.a.1. CPI Calculation (2013-2016)

Particulars	Average CPI	CPI
YEAR n-1 (2013)	128.8	
YEAR n (2014)	134.9	4.74%
YEAR n+1 (2015)	141.6	4.97%
YEAR n+2 (2016)	144.2	1.84%

11.a.2. Growth Rate Calculation (2013-2016)

Particulars	Total KWh Sales	GR
YEAR n-1 (2013)	124,330,989	
YEAR n (2014)	131,877,012	6.07%
YEAR n+1 (2015)	138,019,668	4.66%
YEAR n+2 (2016)	140,788,700	2.01%

11.b. Efficiency Factor “X” Calculation

11.b.1. Calculation of Man-hours (2013-2016)

Personnel	2013	2014	2015	2016
Regular	402,922	406,865	403,666	422,322
Contractual	4,352	4,912	13,580	17,963
Total Man-hours	407,274	411,777	417,246	440,285

11.b.2. FTE/CPE (2013-2016)

Particulars	2013	2014	2015	2016
TOTAL MAN-HOURS	407,274	411,777	417,246	440,285
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	196	198	201	212
Total number of billed connections (yearend)	66,833	71,110	74,505	78,756
CPE	341	359	371	372

11.c. Amended Performance Incentive “S” Calculation

11.c.1. Amended SAIDI Calculation (2013-2015)

	2013	2014	2015
Customer Minutes Affected	31,324,400	56,808,965	30,533,397
No. of Billed Customers	69,423	73,445	76,984
SAIDI	451.21	773.49	396.62

11.c.2. Amended SAIFI Calculation (2013-2015)

	2013	2014	2015
Customers Affected	279,349	231,402	180,452
Customers served	69,423	73,445	76,984
SAIFI	4.02	3.15	2.34

11.c.3. Amended SL Calculation (2013-2015)

Particulars	2013	2014	2015
MWh Purchased	142,825.24	148,336.87	152,965.13
MWh Sold	131,877.01	138,019.67	140,788.70
System Loss (in MWh)	10,948.23	10,317.21	12,176.43
System Loss (in %)	7.67%	6.96%	7.96%

Details of the aforementioned *amended* calculations are provided and contained in **Annex “B”** hereof.

12. That, as observed, there is a minimal upward adjustment in Applicant’s rates resulting in a 1.64% adjustment including “S” and negative 5.86% adjustment excluding “S” on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
YEAR 2014	0.00%	3.67%	2.50%	(1.17%)	(3.67%)
YEAR 2015	0.31%	2.38%	2.10%	0.03%	(2.07%)
YEAR 2016	0.00%	0.12%	2.90%	2.78%	(0.12%)
TOTAL				1.64%	(5.86%)

13. That, in support of the application, attached herewith in a separate bundle are the following:

As Annex	Document
“C” -	MFSR (Sections B & E) (2012-2015)
“D” -	Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2012-2015))

- “E”** - Sample Bills (1 per customer type for the years 2012-2015)
- “F”** - Regional CPI for the years 2012-2015
- “G”** - RFSC/Reinvestment fund Utilization for the years 2013-2015
- “H”** - Consumer Complaints (Summary or tracking form) for the years 2013-2015
- “I”** - Audited Financial Statement (2013-2015)

COMPLIANCE
WITH PRE-FILING REQUIREMENTS

14. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the City of Toledo where Applicant principally operates and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
15. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes “J” and “K”** respectively. Likewise attached hereto as **Annexes “L” and “M”** are the Affidavit of Publication and the newspaper issue containing the published Application;
16. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application;

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17. That the current rate is no longer responsive and adequate to the needs of the Applicant since the costs of providing electric service to the consumers increased significantly;
18. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
19. That, considering the length of time to resolve the instant Application, it being not the only application to be resolved by

the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;

20. That, the provisional authority thus prayed for would bring forth relief on the financial constraints suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Finance Manager of Applicant, Rolando L. Vicente, in support of the prayer for provisional authority marked as **Annex "N"**.

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the proposed Tariff Glide Path "B" Rates (TGP "B") calculated as follows:

Type of Consumer	Particulars	Unit	Provisionally Approved RSEC-Rates	TGP "A" Tariff Glide Path calculation for the first to the third year of the first regulatory period		TGP "B" Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period	
				including S	excluding S	including S	excluding S
Residential	Distribution	PhP/kWh	0.5143	0.5789	0.5342	0.5884	0.5029
	Supply	PhP/kWh	0.5828	0.6560	0.6053	0.6668	0.5699
	Metering	PhP/kWh	0.3669	0.4130	0.3811	0.4198	0.3587
	Metering	PhP/meter/mo	5.00	5.63	5.19	5.72	4.89
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5779	0.5332	0.5874	0.5020
	Supply	PhP/cust/mo	41.61	46.84	43.22	47.61	40.69
	Metering	PhP/meter/mo	31.19	35.11	32.40	35.68	30.50
HIGHER VOLTAGE	Distribution	PhP/kW	190.03	213.90	197.37	217.41	185.81
	Supply	PhP/cust/mo	41.61	46.84	43.22	47.61	40.69
	Metering	PhP/meter/mo	31.19	35.11	32.40	35.68	30.50

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

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

Finding the Applicant's *Motion* in order, the same is hereby **GRANTED**. Accordingly, the *Amended Application* is admitted.

In view thereof, the instant *Application* is hereby set anew for the determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **21 May 2019 (Tuesday) at two o'clock in the afternoon (2:00 PM) at CEBECO III's Principal Office in Luray II, Toledo City, Cebu.**

CEBECO III 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 initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City/Municipal Mayor, 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 the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, 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 initial hearing, CEBECO III 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, LGU legislative bodies, General Manager, or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by CEBECO III to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the OSG, 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 proof of compliance with the requirements of the Commission.

CEBECO III and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and pre-trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of CEBECO III 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.

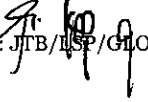
CEBECO III must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the Application, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 12 March 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: JTB/LSP/GLO

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Copy Furnished:

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3. Office of the Solicitor General
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4. Commission on Audit
Commonwealth Avenue, Quezon City
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
6. House Committee on Energy
Batasan Hills, Quezon City
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 Governor
Province of Cebu
9. Office of the LGU legislative body
Province of Cebu
10. Office of the City Mayor
Toledo City, Cebu
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15. Office of the LGU legislative body
Pinamungajan, Cebu
16. Office of the Mayor
Balamban, Cebu
17. Office of the LGU legislative body
Balamban, Cebu
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