

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

D O C K E T E D
Date: NOV. 26, 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 20 September 2018, Leyte II Electric Cooperative, Inc. (LEYECO II) filed its *Application* dated 07 September 2018 for the approval of its 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.

In the said *Application*, LEYECO II alleged the following,

1. It 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;

2. It 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;

NATURE OF THE APPLICATION

3. The *Application* was 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-a covering years 2014-2016) for First Entrant Group Electric Cooperatives;

STATEMENT OF FACTS

4. On May 16, 2013 LEYECO II filed with the 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-B) covering years 2011-2013) pursuant to the TGP Rules docketed as ERC Case No. 2013-103 RC;
5. 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	5.38	5.10

		/mo		
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

6. 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;
7. 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;
8. ERC Case No. 2013-103 RC is still pending with the 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

9. 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.”

10. 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%

11. 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		

- 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

13. In support of the foregoing computations, LEYECO II submitted the following documents and are made as an integral part of the *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

14. Records show that LEYECO II has been operating using the initial DSM rate as provided under the RSEC-WR. No reset has yet been implemented since then and the TGP application remains pending with the Commission;

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.

15. 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;

16. 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 (CBA) 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;

17. 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, LEYECO II is aware that permanent multi-tasking is not good but DSM rate is their constraint;

18. As confirmed in the computations made using the formula and models provided by the Commission, LEYECO II's DSM rate needs to be adjusted in order for it to efficiently perform its duties as a public utility; and

19. It is for those significant reasons that LEYECO II prays that it be allowed to implement provisionally the proposed DSM rate with "S".

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **10 January 2019 (Thursday) at nine o'clock in the morning (9:00 A.M.), at LEYECO II's principal office at Barangay 57, Real St., Sagkahan District, Tacloban City, Leyte.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- i. The petitioner's name and address;
- ii. The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- iii. A statement of the relief desired.

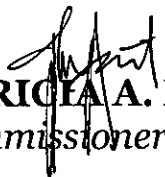
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

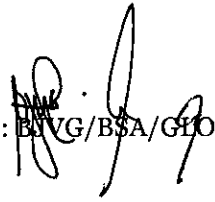
- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. LEYECO II is hereby directed

to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO, **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN** and **CATHERINE P. MACEDA**, Energy Regulatory Commission, this 13 November 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal Service


LS: B/VG/BSA/GLO