

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF A RATE  
ADJUSTMENT 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),**

**ERC CASE NO. 2014-053 RC**

**ZAMBALES II ELECTRIC  
COOPERATIVE, INC.  
(ZAMECO II),**

**Applicant.**

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**D O C K E T E D**  
Date: **JAN 24 2017**  
By: *W*

**ORDER**

On 30 April 2014, Zambales II Electric Cooperative, Inc. (ZAMECO II) filed an application dated 14 April 2014 for approval of a rate adjustment 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) (*Application*).

In support of the said *Application*, ZAMECO II alleged the following:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Barangay Magsaysay, Castillejos, Zambales, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. ALVIN M. FARRALES, of legal age, Filipino, and with office address also at ZAMECO II main office;

2. That herein applicant is the exclusive of the franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of the province of Zambales, namely: Cabangan, Castillejos, San Antonio, San Felipe, San Marcelino, San Narciso, and Subic;
3. That pursuant to Article 7 (Tariff Glide Path) of the RSEC-WR, the Energy Regulatory Commission (ERC) issued, adopted and promulgated the Rules Governing the Movement of the Initial Tariffs to the Tariff Caps during the Regulatory Period. The tariff glide path will be determined by the following formula:

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

- a. The Index, "I", shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load growth.
  - b. There shall be an efficiency factor, "X", to account for the operational efficiency of the EC's in setting their rates.
  - c. There shall be a performance incentive, "S", which shall reward or penalize the EC for above or below standard performance, respectively.
4. Based on the Rules on Tariff Glide Path promulgated by the Honorable Commission, Index "I" was computed by ZAMECO II as follows:

Particulars	Average CPI	$\Delta$ CPI	Total KWh Sales	GR	Difference	"I"
YEAR n-1 (2011)	121.2		97,801,211			
YEAR n (2012)	127.5	5.20%	95,054,057	-2.81%	8.01%	8.01%
YEAR n+1 (2013)	131.9	3.45%	99,454,697	4.63%	-1.18%	0.00%
YEAR n+2 (2014)	135.4	2.65%	107,422,959	8.01%	-5.36%	0.00%

5. Likewise, ZAMECO II calculated the Efficiency Factor "X" as follows:

Particulars	Total Man Hours			
	2011	2012	2013	2014
Regular Employees	439,367	474,121	447,144	433,766
Contractual Employees	187,416	99,731	58,181	151,334
TOTAL	626,783	573,852	505,325	585,100
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	301	276	243	281
Total number of billed connections (year end)	58,996	60,450	62,408	64,378
CPE	196	219	257	229

6. Finally, the Performance Incentive "S" was determined as follows:

YEAR 2012	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		

SL CAP			13.00	
ACTUAL	11.74	350.82	12.83	
DIFFERENCE	11.97	1,846.04	0.17	
<b>% impact</b>	<b>1.00%</b>	<b>2.00%</b>	<b>1.50%</b>	<b>1.50%</b>

YEAR 2013	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
½ Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	14.67	389.03	12.33	
DIFFERENCE	9.04	1,807.83	0.67	
<b>% impact</b>	<b>1.00%</b>	<b>2.00%</b>	<b>1.50%</b>	<b>1.50%</b>

YEAR 2014	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
½ Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	8.76	276.53	11.95	
DIFFERENCE	14.95	1,920.33	1.05	
<b>% impact</b>	<b>2.00%</b>	<b>2.00%</b>	<b>2.50%</b>	<b>2.10%</b>

7. Summarizing the above Index "I", Efficiency Factor "X" and Performance Incentive "S", the resultant TGP is as follows:

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2012	8.01%	0.00%	1.50%	9.51%	8.01%
YEAR 2013	0.00%	0.00%	1.50%	1.50%	0.00%
YEAR 2014	0.00%	0.00%	2.10%	2.10%	0.00%
<b>TOTAL</b>				<b>13.11%</b>	<b>8.01%</b>

8. Using the calculated TGP above, the adjustment in rates resulted as follows to wit:

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1 <sup>st</sup> tariff glide path adjustment (in PhP/kWh)	Rate @ 1 <sup>st</sup> tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5143	0.5817	0.5555
	Supply	PhP/kWh	0.5828	0.6592	0.6295
	Metering	PhP/kWh	0.3669	0.4150	0.3963
	Metering	PhP/meter/mo	5.00	5.66	5.40

LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545
	Supply	PhP/cust/mo	41.61	47.06	44.94
	Metering	PhP/meter/mo	31.19	35.28	33.69

HIGH VOLTAGE	Distribution	PhP/kWh	190.03	214.94	205.25
	Supply	PhP/cust/mo	41.61	47.06	44.94
	Metering	PhP/meter/mo	31.19	35.28	33.69

9. The above computations were made based on the guideline issued by the Honorable Commission, more specifically the Rules Governing the Tariff Glide Path Pursuant to Article VII of

the Rules Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR); and

10. That as part and parcel of this Application attached hereto are the detailed computations of the TGP, with supporting documents, duly marked as Annex "A".

**PRAYER**

**Wherefore**, premises considered applicant Zambales II Electric Cooperative, Inc. (ZAMECO II) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this application be approved and authorizing ZAMECO II to include in its bills to consumers the following Tariff Glide Path:

Type of Consumer	Particulars	Unit	Rate @ end of the Transition Period (in PhP/kWh)	Rate @ 1 <sup>st</sup> Tariff Glide Path Adjustment (in PhP/kWh)	Rate Calculated @ 2 <sup>nd</sup> Tariff Glide Path Adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5143	0.5817	0.5555
	Supply	PhP/kWh	0.5828	0.6592	0.6295
	Metering	PhP/kWh	0.3669	0.4150	0.3963
	Metering	PhP/meter/mo	5.00	5.66	5.40
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545
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	Metering	PhP/meter/mo	31.19	35.28	33.69

Other relief, just or equitable, is likewise prayed for.

Finding the said Application sufficient in substance with the required fees having been paid, the instant Application is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **5 April 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at the ZAMECO II principal office, Magsaysay, Castillejos, Zambales.**

ZAMECO II is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of nationwide circulation in the Philippines, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. ZAMECO II is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of

the filing of the instant Application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the Application, this Order, and the attached Notice of Public Hearing be furnished 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.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Governor of Zambales and its Local Government Unit (LGU) Legislative Body, as well as the Mayors and Local Government Unit (LGU) Legislative Bodies within ZAMECO II's franchise area, for the appropriate posting thereof on their respective bulletin boards.

ZAMECO II is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, ZAMECO II must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and Local Government Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

ZAMECO II and all interested parties are directed 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 therefor; 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.

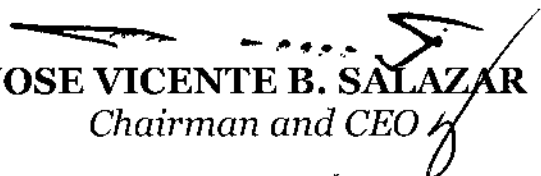
Failure of ZAMECO II to submit the required Pre-Trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

ZAMECO II must also be prepared to make an expository presentation of its 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, 17 January 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
Chairman and CEO

  
LS: IHH/ICG/APV

**ERC**  
Office of the Chairman



A-2017-017-OC-08147

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Copy furnished:

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4. **Commission on Audit**  
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5. **Senate Committee on Energy**  
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6. **House Committee on Energy**  
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7. **Office of the Provincial Governor**  
Province of Zambales
8. **Office of the LGU Legislative Body**  
Province of Zambales
9. **Office of the Municipal Mayor**  
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10. **Office of the LGU Legislative Body**  
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11. **Office of the Municipal Mayor**  
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