

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF ADJUSTMENT
IN RATES PURSUANT TO THE
TARIFF GLIDE PATH (TGP)
RULES, WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2014-052 RC

**BATANGAS I ELECTRIC
COOPERATIVE, INC.
(BATELEC I),**

Applicant.

X-----X

D O C K E T E D

Date: JAN 30 2017

By: [Signature]

O R D E R

On 30 April 2014, Batangas I Electric Cooperative, Inc. (BATELEC I) filed an *Application* seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

BATELEC I alleged the following in its *Application*:

1. BATELEC I 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 office at Km. 116 National Highway, Calaca, Batangas;
2. BATELEC I is the holder of an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in certain municipalities of the Province of Batangas, namely: Calaca, Balayan, Tuy, Agoncillo, San Nicolas, Lemery, Sta. Teresita, Taal, San Luis, Lian, Nasugbu and Calatagan;
3. Sometime in 2009, BATELEC I filed with the Commission an application for approval of its proposed adjustment in

rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);

4. The Commission approved the Application, granting BATELEC I the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/KW			167.56
Distribution System Charge	PhP/KWh	0.4613	0.4441	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		46.60	46.6
Supply System Charge	PhP/KWh	0.5376		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.00	32.78	32.78
Metering System Charge	PhP/KWh	0.3205		

5. On May 2, 2011, the Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR whereby during the regulatory period, the rate of the Electric Cooperatives (ECs) per group shall be adjusted using the following formula, to wit:

Tariff x (1+ index "I"-Efficiency Factor "X" + 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 load factor. 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 above or below standard performance, respectively.

The TGP is intended as a cap and the EC may move up to the cap, if it is a positive adjustment. If the cap is lower than the current average tariff, a reduction may be implemented.;

6. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates once every three (3) years. The rate adjustments may occur at the

start of the fourth year of the first Regulatory Period and every three years thereafter;

7. Under the TGP, 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. BATELEC I belongs to the Second Entrant Group;
8. Further, under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the first to third years of the Regulatory Period, to wit:

$$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2} \text{ where}$$

$$TGP_n = I_n - X_n + S_n$$

N= the first year of the Regulatory Period and succeeding Regulatory Periods

Except that for the first two years of the First Regulatory Period, "X" will be equal to zero and thereafter shall not be less than zero. The TGP calculated for each of the three years will be summed to determine the possible rate adjustment the starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, BATELEC I calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"	"X"	"S"	TGP A	TGP A (Excluding "S")
Year 2011	3.44 %	0.0 %	0.90 %	4.34 %	3.44 %
Year 2012	0.71 %	0.0 %	0.90 %	1.61 %	0.71 %
Year 2013		0.0 %	1.30 %	1.30 %	0.00 %
Net Results				7.26 %	4.16 %

10. Application of the above values resulted in adjustments on BATELEC I's DSM Rates, as follows:

a) WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			179.72
Distribution System Charge	PhP/kWh	0.4948	0.4763	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		49.98	49.98
Supply System Charge	PhP/kWh	0.5766		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.36	35.16	35.16
Metering System Charge	PhP/kWh	0.3438		

b) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			174.52
Distribution System Charge	PhP/kWh	0.4805	0.4626	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		48.54	48.54
Supply System Charge	PhP/kWh	0.5599		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.21	34.14	34.14
Metering System Charge	PhP/kWh	0.3338		

11. Consequently, BATELEC I respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally during the pendency of the instant Application or permanently by virtue of a final decision, effective January 2015, and up to December 31, 2017;
12. In support of the foregoing computations, BATELEC I is submitting the following documents, which are being made integral parts of the Application, to wit:

Annex No.	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	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample Bills (per customer type) (2010-2013)
E	Regional CPI (2010-2013)
F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Summary or Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2013)

13. Finally, in compliance with the pre-filing requirements for the instant Application, BATELEC I is likewise submitting the following documents, which are being made integral parts of the Application, to wit:

Annex No.	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
I to I-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Calaca and Sangguniang Panlalawigan of Batangas
J to J-2	Publication of the Application in a newspaper of general circulation in BATELEC I's franchise area or where it principally operates, with Affidavit of Publication

14. BATELEC I respectfully prays that pending evaluation of the instant Application or after due notice and hearing, as the case may be, BATELEC I be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2015 and up to December 2017, to wit:

a) WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			179.72
Distribution System Charge	PhP/kWh	0.4948	0.4763	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		49.98	49.98
Supply System Charge	PhP/kWh	0.5766		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.36	35.16	35.16
Metering System Charge	PhP/kWh	0.3438		

b) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			174.52
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Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		48.54	48.54
Supply System Charge	PhP/kWh	0.5599		

Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.21	34.14	34.14
Metering System Charge	PhP/kWh	0.3338		

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 **1 March 2017 (Wednesday) at two o'clock in the afternoon (2:00 P.M.), at BATELEC I's Principal Office in Km. 116 National Highway, Calaca, Batangas.**

Accordingly, BATELEC I 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 their 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 Governors, the City and Municipal Mayors, 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*, the 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 the attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission their 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 was 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, 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*, the 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 the 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:

- 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 therefore; 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 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.

BATELEC I 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, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 23 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman

ERC
Office of the Chairman

A-2017-023-OC-08218

Copy Furnished:

1. Lerios-Amboy Pingol & Gonzales Law Offices
Counsel for BATELEC I
Unit 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. Batangas I Electric Cooperative, Incorporated (BATELEC I)
Km. 116 National Highway, Calaca, Batangas
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
4. Office of the Commission on Audit
Don Mariano Marcos Avenue, Diliman, Quezon City
5. The Committee On Energy
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City
6. The Committee On Energy
House of Representatives
Batasan Hills, Quezon City
7. Office of the Municipal Mayor
Calaca, Batangas
8. Office of the Local Government Unit (LGU) legislative body
Calaca, Batangas
9. Office of the Municipal Mayor
Balayan, Batangas
10. Office of the Local Government Unit (LGU) legislative body
Balayan, Batangas
11. Office of the Municipal Mayor
Tuy, Batangas
12. Office of the Local Government Unit (LGU) legislative body
Tuy, Batangas
13. Office of the Municipal Mayor
Agoncillo, Batangas
14. Office of the Local Government Unit (LGU) legislative body
Agoncillo, Batangas
15. Office of the Municipal Mayor
San Nicolas, Batangas
16. Office of the Local Government Unit (LGU) legislative body
San Nicolas, Batangas
17. Office of the Municipal Mayor
Lemery, Batangas

18. Office of the Local Government Unit (LGU) legislative body
Lemery, Batangas
19. Office of the Municipal Mayor
Sta. Teresita, Batangas
20. Office of the Local Government Unit (LGU) legislative body
Sta. Teresita, Batangas
21. Office of the Municipal Mayor
Taal, Batangas
22. Office of the Local Government Unit (LGU) legislative body
Taal, Batangas
23. Office of the Municipal Mayor
San Luis, Batangas
24. Office of the Local Government Unit (LGU) legislative body
San Luis, Batangas
25. Office of the Municipal Mayor
Lian, Batangas
26. Office of the Local Government Unit (LGU) legislative body
Lian, Batangas
27. Office of the Municipal Mayor
Nasugbu, Batangas
28. Office of the Local Government Unit (LGU) legislative body
Nasugbu, Batangas
29. Office of the Municipal Mayor
Calatagan, Batangas
30. Office of the Local Government Unit (LGU) legislative body
Calatagan, Batangas
31. Office of the Governor
Province of Batangas
32. Office of the Local Government Unit (LGU) legislative body
Province of Batangas
33. 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
34. Regulatory Operations Service (ROS)
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City