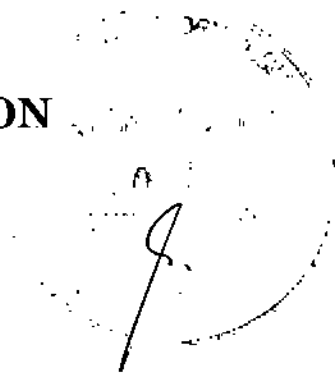


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**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. 2015-081 RC**

**PAMPANGA I ELECTRIC  
COOPERATIVE, INC. (PELCO I),  
Applicant.**

X-----X

**D O C K E T E D**  
Date: JAN 31 2017  
By: W

**ORDER**

On 28 April 2015, Pampanga I Electric Cooperative, Inc. (PELCO I) filed an *Application* seeking the Commission's approval of its 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).

PELCO I alleged the following in its *Application*:

1. PELCO is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Sto. Domingo, Mexico, Pampanga, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Lolian E. Allas, of legal age, Filipino, and with office address also at PELCO I main office;
2. PELCO is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of

the province of Pampanga, namely: Arayat, Candaba, Magalang, Mexico, Sta. Ana and San Luis;

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 Commission, Index "I" was computed by PELCO I as follows:

Particulars	Average CPI	△ CPI	Total kWh Sales	GR	Difference	"I"
2012	127.5		145,719,120			
2013	131.9	3.45%	154,677,714	6.15%	-2.70%	0.00%
2014	135.4	2.65%	169,409,149	9.52%	-6.87%	0.00%
2015	140.3	3.62%	184,186,563	8.72%	-5.10%	0.00%

5. Likewise, PELCO I calculated the Efficiency Factor "X" as follows:

Particulars	Total Man Hours (2012)	Total Man Hours (2013)	Total Man Hours (2014)	Total Man Hours (2015)
Regular Employees	366,528	377,205	423,163	470,838
Contractual Employees	74,416	72,040	71,864	72,040
TOTAL	440,944	449,245	495,027	542,878
Full time equivalent man hours per year	2,080	2,080	2,080	2,080

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FTE	212	216	238	261
Total number of billed connection (year-end)	77,191	80,394	81,916	85,152
CPE	364	372	344	326
"X"		1.56%	-5.27%	
		0.00%	0.00%	-3.65%
		Zero – 1 <sup>st</sup> Year (1 <sup>st</sup> regulatory period)	Zero – 2 <sup>nd</sup> Year (1 <sup>st</sup> regulatory period)	

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

Year 2013	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	6.28	410.19	8.60	
DIFFERENCE	17.43	1,786.67	4.40	
% impact	2.00%	2.00%	4.50%	2.50%

Year 2014	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	6.07	257.89	8.44	
DIFFERENCE	17.64	1,938.97	4.56	
% impact	2.00%	2.00%	4.50%	2.50%

Year 2015	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	6.99	300.13	7.98	
DIFFERENCE	16.72	1,896.73	5.02	
% impact	2.00%	2.00%	4.50%	2.50%

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

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	"T"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2013	0.00%	0.00%	2.50%	2.50%	0.00%
YEAR 2014	0.00%	0.00%	2.50%	2.50%	0.00%
YEAR 2015	0.00%	0.00%	2.50%	2.50%	0.00%
TOTAL				7.50%	0.00%

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

TYPE OF CUSTOMER	Particulars	Unit	Rate @ end of the transition period	Rate @ 1 <sup>st</sup> tariff glide path adjustment	Rate @ 1 <sup>st</sup> tariff glide path adjustment excluding S
RESIDENTIAL	Distribution	PhP/kWh	0.5782	0.6216	0.5782
	Supply	PhP/kWh	0.6001	0.6451	0.6001
	Metering	PhP/kWh	0.4326	0.4650	0.4326
	Metering	PhP/meter/mo	5.00	5.38	5.00
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8165	0.7595
	Supply	PhP/cust/mo	42.92	46.14	42.92
	Metering	PhP/meter/mo	35.94	38.64	35.94
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	236.16	219.68
	Supply	PhP/cust/mo	42.92	46.14	42.92
	Metering	PhP/meter/mo	35.94	38.64	35.94

9. The above computations were made based on the guidelines issued by the Commission, more specifically the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR); and
10. That as part and parcel of the Application, attached thereto are the detailed computations of the TGP, with supporting documents, duly marked as Annex "A";
11. PELCO I respectfully prays that after due notice and hearing and consideration, its application be approved and authorizing PELCO I to include in its bills to customers either of the following Tariffs starting January 2016 billing:

With performance incentive "S"

TYPE OF CUSTOMER	Particulars	Unit	Rate @ 1 <sup>st</sup> tariff glide path adjustment
RESIDENTIAL	Distribution	PhP/kWh	0.6216
	Supply	PhP/kWh	0.6451
	Metering	PhP/kWh	0.4650
	Metering	PhP/meter/mo	5.38
LOW VOLTAGE	Distribution	PhP/kWh	0.8165
	Supply	PhP/cust/mo	46.14
	Metering	PhP/meter/mo	38.64
HIGHER VOLTAGE	Distribution	PhP/kW	236.16
	Supply	PhP/cust/mo	46.14
	Metering	PhP/meter/mo	38.64

Without performance incentive "S"

TYPE OF CUSTOMER	Particulars	Unit	Rate @ 1 <sup>st</sup> tariff glide path adjustment
RESIDENTIAL	Distribution	PhP/kWh	0.5782
	Supply	PhP/kWh	0.6001
	Metering	PhP/kWh	0.4326
	Metering	PhP/meter/mo	5.00
LOW VOLTAGE	Distribution	PhP/kWh	0.7595
	Supply	PhP/cust/mo	42.92
	Metering	PhP/meter/mo	35.94
HIGHER VOLTAGE	Distribution	PhP/kW	219.68
	Supply	PhP/cust/mo	42.92
	Metering	PhP/meter/mo	35.94

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 **6 April 2017 (Thursday) at nine o'clock in the morning (9:00 A.M.), at the PELCO I's principal office in Sto. Domingo, Mexico, Pampanga.**

Accordingly, PELCO 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.

PELCO 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-08205



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**Copy Furnished:**

1. Atty. Arnido O. Inumberable  
Counsel for PELCO I  
405 Elisa Street, U.E. Village, Cainta, Rizal
2. Pampanga I Electric Cooperative, Inc. (PELCO I)  
Brgy. Sto. Domingo, Mexico, Pampanga
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  
Arayat, Pampanga
8. Office of the Local Government Unit (LGU) legislative body  
Arayat, Pampanga
9. Office of the Municipal Mayor  
Candaba, Pampanga
10. Office of the Local Government Unit (LGU) legislative body  
Candaba, Pampanga
11. Office of the Municipal Mayor  
Magalang, Pampanga
12. Office of the Local Government Unit (LGU) legislative body  
Magalang, Pampanga
13. Office of the Municipal Mayor  
Mexico, Pampanga
14. Office of the Local Government Unit (LGU) legislative body  
Mexico, Pampanga
15. Office of the Municipal Mayor  
Sta. Ana, Pampanga
16. Office of the Local Government Unit (LGU) legislative body  
Sta. Ana, Pampanga
17. Office of the Municipal Mayor  
San Luis, Pampanga
18. Office of the Local Government Unit (LGU) legislative body  
San Luis, Pampanga
19. Office of the Governor  
Province of Pampanga
20. Office of the Local Government Unit (LGU) legislative body  
Province of Pampanga
21. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> floor, Chamber and Industry Plaza (CIP)  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio, Taguig City
22. Regulatory Operations Service (ROS)  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center, San Miguel Avenue, Pasig Cit