

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



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

ERC CASE NO. 2015-090 RC

**TARLAC I ELECTRIC
COOPERATIVE, INC.
(TARELCO I),
Applicant.**

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DOCKETED
Date: **FEB 03 2017**
By: *[Signature]*

ORDER

On 30 April 2015, Tarlac I Electric Cooperative, Inc. (TARELCO 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 the issuance of provisional authority.

TARELCO I alleged the following in its Application:

1. TARELCO 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 Amacalan, Gerona, Tarlac;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Anao, Camiling, Gerona, Mayantoc, Moncada, Paniqui, Pura, Ramos, San Clemente, San Jose, San Manuel, Sta. Ignacia, and Victoria, in the province of Tarlac; Barangays Batangbatang, Bora, Laoang, San Juan de Mata and Sto. Domingo in Tarlac City, Province of Tarlac; the municipalities of Cuyapo and Nampicuan, in the Province of Nueva Ecija; Barangays Agcano, Bagong Barrio, Bulakid,

Caingin Tabing-Ilog, Escano, Lamorito, Maybubon, San Agustin, Yuson, Sitios Boundary, Gragasin I, Gragasin II, Manga & Medina in Barangay San Miguel, Sitio Bertese, Barangay Lennec in the Municipality of Guimba and Sitio Bardias, Barangay Villarosa in the municipality of Licab, likewise in the province of Nueva Ecija.

THE ANTECEDENT RULES AND FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
4. The RSEC-WR envisioned a regulatory framework whereby an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. In the same year, TARELCO I filed with the Honorable Commission an application for approval of its proposed adjustment in rates pursuant to the RSEC-WR, docketed as ERC Case No. 2009 – 114 RC;
6. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among other charges, at the end of the transition period, to wit:

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			219.68
Distribution System Charge	PhP/kWh	0.5782	0.7595	
Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo		42.92	42.92
Supply System Charge	PhP/kWh	0.6001		
Metering Charges:				
Retail Customer Charge	PhP/Meter/ Mo	5.00	35.94	35.94
Metering System Charge	PhP/kWh	0.4326		

LEGAL BASIS FOR THE APPLICATION

7. Article 7 of the RSEC-WR provides that during the regulatory period, the rate of the 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.

8. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to the above Article 7 of the RSEC-WR;
9. 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;
10. Under the TGP, the regulatory period is six (6) years for each entry group. For the Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018. TARELCO I belongs to the Third Entrant Group;
11. 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:

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

$TGP_n = I_n - X_n + S_n$

N= the first year of their 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.

THE PROPOSED RATE ADJUSTMENT

12. Applying the methodology embodied in the TGP Rules, TARELCO 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 2013	0.00 %	0.00 %	2.5 %	2.5 %	0.00 %
Year 2014	0.00 %	0.00 %	1.7 %	1.7 %	0.00 %
Year 2015	0.00 %	4.66 %	2.5 %	-2.16 %	-4.66 %
Net Results	0.00 %	4.66 %	6.2 %	2.04 %	-4.66 %

13. Applying the above values resulted in adjustments on TARELCO 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			224.15
Distribution System Charge	PhP/kWh	0.5900	0.7750	
Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo		43.79	43.79
Supply System Charge	PhP/kWh	0.6123		
Metering Charges:				
Retail Customer Charge	PhP/Meter/ Mo	5.10	36.67	36.67
Metering System Charge	PhP/kWh	0.4414		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			209.44
Distribution System Charge	PhP/kWh	0.5512	0.7241	
Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo		40.92	40.92
Supply System Charge	PhP/kWh	0.5721		
Metering Charges:				
Retail Customer Charge	PhP/Meter/ Mo	4.77	34.26	34.26
Metering System Charge	PhP/kWh	0.4124		

14. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

SUPPORTING DATA AND DOCUMENTS

15. In support of the foregoing computations, the cooperative is submitting herewith the following data and documents, which are being made integral parts hereof, to wit:

Annex	Nature of Document
A A-2 A-3	Proposed TGP calculation 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 (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010 -2104)
D	Sample Bills (per customer type) (2010 -2014)
E	Regional CPI (2011 -2014)
F	RFSC/Reinvestment Fund Utilization (2012-2014)
G	Consumer Complaints (Summary or Tracking Form) (2012- 2014)
H	Audited Financial Statements (2010 -2014)

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

16. Applicant repleads the foregoing allegations as may be material herein;
17. Applicant's current DSM rates were provisionally granted by the Honorable Commission in three (3) yearly tranches which were started way back January 2010;
18. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as certain governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of President Benigno Simeon C. Aquino III, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs,

not to mention the increased system loss which the cooperative is likely to absorb. All these costs were not duly provided for in its current rates and the general funds being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;

19. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
20. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2016;
21. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective January 1, 2016.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

22. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Gerona and Sangguniang Panlalawigan of Tarlac
K to K-2	Proof of publication of the Application in a newspaper of general circulation in TARELCO I's franchise area or where its principally operates

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application or after due notice and hearing, as the case may be, TARELCO 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 1, 2016, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			224.15
Distribution System Charge	PhP/kWh	0.5900	0.7750	
Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo		43.79	43.79
Supply System Charge	PhP/kWh	0.6123		
Metering Charges:				
Retail Customer Charge	PhP/Meter/ Mo	5.10	36.67	36.67
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B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			209.44
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Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo		40.92	40.92
Supply System Charge	PhP/kWh	0.5721		
Metering Charges:				
Retail Customer Charge	PhP/Meter/ Mo	4.77	34.26	34.26
Metering System Charge	PhP/kWh	0.4124		

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

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 **21 February 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.), at TARELCO I's principal office at Amacalan, Gerona, Tarlac.**

Accordingly, TARELCO 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, its 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 its 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 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 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, its 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 its 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.

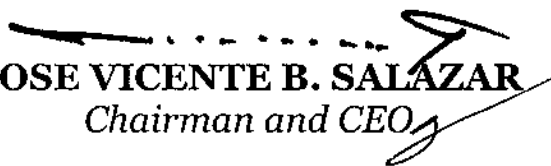
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

TARELCO I must also be prepared to make an expository presentation of the instant 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, 23 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO


LS: CRC/PVARR/ APV

ERC
Office of the Chairman

B-2017-001-OC-08308

Copy Furnished:

- 1. Atty. Marvey Jay A. Gonzales**
LERIOS-AMBOY PINGOL AND GONZALES LAW OFFICES
Counsel for TARELCO I
Unit 1609-1610 Tycoon Center, Pearl Drive, Pasig City
- 2. Tarlac I Electric Cooperative, Inc. (NEECO I)**
Amacalan, Gerona, Tarlac
- 3. Office of the Solicitor General**
134 Amorsolo St., Legaspi Village, Makati City
- 4. Commission on Audit**
Commonwealth Avenue, Quezon City
- 5. Senate Committee on Energy**
GSIS Building, Roxas Boulevard, Pasay City
- 6. House Committee on Energy**
Batasan Hills, Quezon City
- 7. Office of the Provincial Governor**
Province of Tarlac
- 8. Office of the Sangguniang Panlalawigan**
Province of Tarlac
- 9. Office of the Provincial Governor**
Province of Nueva Ecija
- 10. Office of the Sangguniang Panlalawigan**
Province of Nueva Ecija
- 11. Office of the City Mayor**
City of Tarlac, Tarlac
- 12. Office of the Sangguniang Panglungsod**
City of Tarlac, Tarlac
- 13. Office of the Municipal Mayor**
Anao, Tarlac
- 14. Office of the Sangguniang Bayan**
Anao, Tarlac
- 15. Office of the Municipal Mayor**
Camiling, Tarlac
- 16. Office of the Sangguniang Bayan**
Camiling, Tarlac
- 17. Office of the Municipal Mayor**
Gerona, Tarlac