

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. 2015-125 RC

**BILIRAN ELECTRIC
COOPERATIVE, INC.
(BILECO),**

Applicant.

X-----X

D U C K E T E D
Date: FEB 07 2017
By: _____

ORDER

On 30 June 2015, Biliran Electric Cooperative, Inc. (BILECO) 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.

BILECO alleged the following in its *Application*:

THE APPLICANT

1. BILECO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at Brgy. Caraycaray, Naval, Biliran;
2. BILECO holds an exclusive franchise from the National Electrification Commission (NEC) to operate an electric light and power distribution service in the seven (7) municipalities of the Province of Biliran, namely: Naval, Biliran, Cabuegayan, Caibiran, Culaba, Kawayan and Almeria;

THE ANTECEDENT FACTS

3. In 2009, the 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. Pursuant to the RSEC-WR, in 2009, BILECO filed with the Commission an Application for approval of proposed adjustment in its rates, docketed as ERC Case No. 2009-077 RC;
6. In the said application, the Commission granted BILECO provisional authority to implement the proposed rates in three-year tranches, with the following rate caps or initial tariffs on the Distribution, Supply and Metering (DSM) Charges being implemented starting at the end of the transition period, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.0557	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.0000	29.12
Metering System Charge	PhP/kWh	.5792	

7. It is provided under Article 7 of the RSEC-WR 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;

LEGAL BASES FOR THE APPLICATION

A. The Tariff Glide Path Rules

8. On May 2, 2011, the Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to 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. BILECO 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:

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

$$TGP_n = I_n - X_n + S_n$$

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.

B. The RSEC-WR

12. Under Article 3.1 of the RSEC-WR, for electric cooperatives belonging to Group A to which BILECO belongs, the Initial DSM Tariffs for Higher Voltage Customers are as follows, to wit:

Particulars	Units	Distribution	Supply	Metering
Higher Voltage	PhP/kW	302.51		
	PhP/cust/mo.		42.82	29.12

13. As noted in Paragraph 6 above however, the rates granted to BILECO do not include rates for Higher Voltage Customers;
14. The reason for the non-inclusion was that, at the time of filing said application, BILECO did not have any existing customers which could be classified as Higher Voltage Customers, and BILECO was not expecting to have in the near future, any customers which would fall within the category of Higher Voltage hence, the exclusion in said application for approval of rates for higher voltage customers;
15. However, development of the Province of Biliran has grown fast, and higher voltage customers emerged in BILECO's franchise area;
16. Accordingly, necessity requires that proper DSM rates for higher voltage customers be provided to BILECO;
17. Hence, BILECO includes in the instant Application a proposed adjustment in the DSM rates for Higher Voltage Customers as embodied in the RSEC-WR;

THE PROPOSED RATE ADJUSTMENT

18. BILECO was among the electric cooperatives whose franchise areas were severely hit by Super Typhoon Yolanda on that fateful day of November 8, 2013;
19. The typhoon brought about massive destruction to life and property, including BILECO's distribution facilities;
20. The catastrophe destroyed the households and businesses of BILECO's customers, and during the months that BILECO was unable to bill and collect payment from its customers, its revenues and number of customers dropped;
21. It should be noted that the number of customers as well as the amount of kilowatt hour sales during the period covered by the instant application are determinants in the computation of the TGP;
22. If the reduction in its revenues and number of customers brought about by the effects of Typhoon Yolanda is considered in the TGP calculation, the resulting rates

would not be to cope with the cooperative's current and normal operations;

23. In view thereof, BILECO prepared a comparative analysis utilizing data under normal operations as well as actual data when its operations was being prejudiced by the effects of Typhoon Yolanda, and applying the methodology embodied in the TGP Rules, calculated the values of the "I", "X" and "S", and came up with the following results, to wit:

Utilizing data under normal operations:

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2013	0.00%	0.00%	0.30%	0.30%	0.00%
YEAR 2014	0.00%	0.00%	0.30%	0.30%	0.00%
YEAR 2015	5.53%	0.00%	0.70%	6.23%	5.53%
TOTAL				6.83%	5.53%

Including actual data affected by Typhoon Yolanda

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2013	0.00%	0.00%	0.90%	0.90%	0.00%
YEAR 2014	8.68%	0.00%	0.90%	9.58%	8.68%
YEAR 2015	2.60%	37.49%	1.30%	-33.59%	-34.89%
TOTAL				-23.11%	-26.21%

24. Applying the above values pursuant to the TGP Rules resulted in adjustments on BILECO's DSM rates, as follows:

A. WITH PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			323.16
Distribution System Charge	PhP/kWh	1.1278	1.2367	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.74	45.74

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Supply System Charge	PhP/kWh	1.0984		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.34	31.11	31.11
Metering System Charge	PhP/kWh	.6187		

B) EXCLUDING PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			319.23
Distribution System Charge	PhP/kWh	1.1141	1.2217	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.19	45.19
Supply System Charge	PhP/kWh	1.0850		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	30.73	30.73
Metering System Charge	PhP/kWh	.6112		

C. WITH PERFORMANCE INCENTIVE "S" AND WITH TYPHOON YOLANDA DATA

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			232.60
Distribution System Charge	PhP/kWh	.8117	.8902	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		32.92	32.92
Supply System Charge	PhP/kWh	.7906		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	3.84	22.39	22.39
Metering System Charge	PhP/kWh	.4453		

D) EXCLUDING PERFORMANCE INCENTIVE "S" AND WITH TYPHOON YOLANDA DATA

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			223.22
Distribution System Charge	PhP/kWh	.7790	.8543	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		31.60	31.60
Supply System Charge	PhP/kWh	.7587		
Metering Charges:				

Retail Customer Charge	PhP/Meter/Mo.	3.69	21.49	21.49
Metering System Charge	PhP/kWh	.4274		

25. From the foregoing, it is shown that BILECO's resulting rates are lower if the adverse effects of Typhoon Yolanda is considered in the calculations;
26. However, the effect of Typhoon Yolanda is extra-ordinary in nature and not reflective of the normal operations of BILECO. Consequently, BILECO prays for the approval of the calculated DSM rates utilizing data during normal operations;

SUPPORTING DATA AND DOCUMENTS

27. In support of the foregoing computations, BILECO is submitting the following data and documents, which are being made integral parts of the Application, to wit:

Annex No.	Nature of Document
A A-1 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 (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010-2014)
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

28. BILECO repleads the foregoing allegations as may be material herein;
29. BILECO's current DSM rates for Residential and Lower Voltage Customers, as granted by the Commission based on the RSEC-WR, were implemented by it in three (3) yearly tranches, which started way back in January 2010;
30. 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, BILECO has been implementing the Sitio Energization Program (SEP) of the Aquino government, 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 BILECO 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;
31. Thus, BILECO urgently needs additional funds to be able to cope with the rising costs of its operations;
32. 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;
33. Furthermore, fairness demands that BILECO's Higher Voltage Customers be charged the proper rates while the application is pending evaluation of the Commission;
34. Considering the foregoing, BILECO 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

35. Finally, in compliance with the ERC Rules of Practice and Procedure, BILECO 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
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Naval and Sangguniang Panlalawigan of Biliran
K and series	Proof of Publication of the Application in a newspaper of general circulation in BILECO's franchise area or where it principally operates

36. BILECO respectfully prays that pending evaluation of the instant Application or after due notice and hearing, as the case may be, BILECO be allowed to implement effective January 1, 2016 either of the following two (2) alternative proposed new rates for Distribution, Supply and Metering (DSM) Charges for Residential, Low Voltage and Higher Voltage Customers, respectively, to wit:

A. WITH PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			323.16
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Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.74	45.74
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Retail Customer Charge	PhP/Meter/Mo.	5.34	31.11	31.11
Metering System Charge	PhP/kWh	.6187		

B. EXCLUDING PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			319.23
Distribution System Charge	PhP/kWh	1.1141	1.2217	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.19	45.19
Supply System Charge	PhP/kWh	1.0850		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	30.73	30.73
Metering System Charge	PhP/kWh	.6112		

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 **15 March 2017 (Wednesday) at nine-thirty in the morning (9:30 A.M.), at BILECO's principal office at Brgy. Caraycaray, Naval, Biliran.**

Accordingly, BILECO 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 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*, 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.

BILECO 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

Copy Furnished:

1. Lerios-Amboy Pingol & Gonzales Law Offices
Counsel for BILECO
Unit 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. Biliran Electric Cooperative, Incorporated (BILECO)
Brgy. Caraycaray, Naval, Biliran
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
Naval, Biliran
8. Office of the Local Government Unit (LGU) legislative body
Naval, Biliran
9. Office of the Municipal Mayor
Biliran, Biliran
10. Office of the Local Government Unit (LGU) legislative body
Biliran, Biliran
11. Office of the Municipal Mayor
Cabucgayan, Biliran
12. Office of the Local Government Unit (LGU) legislative body
Cabucgayan, Biliran
13. Office of the Municipal Mayor
Caibiran, Biliran
14. Office of the Local Government Unit (LGU) legislative body
Caibiran, Biliran
15. Office of the Municipal Mayor
Culaba, Biliran
16. Office of the Local Government Unit (LGU) legislative body
Culaba, Biliran

17. Office of the Municipal Mayor
Kawayan, Biliran
18. Office of the Local Government Unit (LGU) legislative body
Kawayan, Biliran
19. Office of the Municipal Mayor
Almeria, Biliran
20. Office of the Local Government Unit (LGU) legislative body
Almeria, Biliran
21. Office of the Governor
Province of Biliran
22. Office of the Local Government Unit (LGU) legislative body
Province of Biliran
23. 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
24. Regulatory Operations Service (ROS)
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City