

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 -067 RC**

**PANGASINAN III ELECTRIC  
COOPERATIVE, INC.  
(PANELCO III),**

**Applicant.**

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**D O C K E T E D**

Date: FEB 10 2017

By: W

**ORDER**

On 27 May 2014, the Pangasinan III Electric Cooperative Inc. (PANELCO III) filed an *Application* for approval of adjustment in rates pursuant to the tariff glide path (TGP) rules, with prayer for provisional authority.

PANELCO III alleged the following in its *Application*:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution services in the Sixteen (16) municipalities, namely the Municipalities of Asingan, Balungao, Binalonan, Laoac, Mapandan, Natividad, Pozorrubio, Rosales, San Manuel, San Nicolas, San Quintin, Sta. Maria, Sto. Tomas, Tayug, Umingan, Villasis; One (1) city namely; Urdaneta City and Barangay Inamotan of Manaog in the province of Pangasinan;
3. Sometime in 2009, PANELCO III filed with the Honorable Commission an application for approval of the proposed adjustment in its rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR):

4. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the following initial tariffs of its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

<b>CURRENT RATES</b>		Residential	Low Voltage	Higher Voltage
<b>DISTRIBUTION CHARGES</b>				
<b>Demand Charge</b>	PhP/kW			219.6800
<b>Distribution System Charge</b>	PhP/kWh	0.5782	0.7595	
<b>SUPPLY CHARGES</b>				
<b>Retail Customer Charge</b>	PhP/Customer/Mo		42.9200	42.9200
<b>Supply System Charge</b>	PhP/kWh	0.6001		
<b>METERING CHARGES</b>				
<b>Retail Customer Charge</b>	PhP/Meter/Mo	5.0000	35.9400	35.9400
<b>Metering System Charge</b>	PhP/kWh	0.4326		

5. On May 2, 2011, the Honorable 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 every three (3) years. The rate adjustment 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 Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. PANELCO III 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 starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, PANELCO III 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)
<b>YEAR 2012</b>	3.87%	0.00%	1.60%	5.47%	3.87%
<b>YEAR 2013</b>	0.00%	0.00%	1.60%	1.60%	0.00%
<b>YEAR 2014</b>	0.00%	5.81%	2.00%	-3.81%	-5.81%
<b>TOTAL</b>				<b>3.26%</b>	<b>-1.94%</b>

10. Applying the above values resulted in adjustments on PANELCO III's DSM Rates, as follows:

TGP-A		Residential	Low Voltage	Higher Voltage
<b>DISTRIBUTION CHARGES</b>				
Demand Charge	PhP/kW			226.8400
Distribution System Charge	PhP/kWh	0.5971	0.7843	
<b>SUPPLY CHARGES</b>				
Retail Customer Charge	PhP/Customer/Mo		44.3200	44.3200
Supply System Charge	PhP/kWh	0.6197		
<b>METERING CHARGES</b>				
Retail Customer Charge	PhP/Meter/Mo	5.1600	37.1100	37.1100
Metering System Charge	PhP/kWh	0.4467		

TGP-A		Residential	Low Voltage	Higher Voltage
<b>DISTRIBUTION CHARGES</b>				
Demand Charge	PhP/kW			215.4200
Distribution System Charge	PhP/kWh	0.5670	0.7448	
<b>SUPPLY CHARGES</b>				
Retail Customer Charge	PhP/Customer/Mo		42.0900	42.0900
Supply System Charge	PhP/kWh	0.5885		
<b>METERING CHARGES</b>				
Retail Customer Charge	PhP/Meter/Mo	4.9000	35.2400	35.2400
Metering System Charge	PhP/kWh	0.4242		

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally or permanently, starting January 2015, and up to the next regulatory reset;
12. In support of the forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
  - A. TGP Calculations
    - a.1 Index "I" Calculation
    - a.2 Efficiency Factor "X" Calculation
    - a.3 Performance Incentive "S" Calculation
  - B. Other Documents
    - b.1 MFSR Sec. B & E
    - b.2 Billing Determinants
    - b.3 Sample Bills
    - b.4 Regional CPI
    - b.5 RFSC/Reinvestment Fund Utilization
    - b.6 Summary of Consumer Complaints
    - b.7 Audited Financial Statements

### **P R A Y E R**

WHEREFORE, premises considered, Applicant Pangasinan III Electric Cooperative (PANELCO III) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this Application be approved and authorize PANELCO III to include in its electric billings to its customers the rate at First (1<sup>st</sup>) Tariff Glide Path adjustment in Php/kwh, either including or excluding the Performance Incentive "S".

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5971	0.5670
	Supply	PhP/kWh	0.6197	0.5885
	Metering	PhP/kWh	0.4467	0.4242
	Metering	PhP/meter/mo	5.16	4.90
LOW VOLTAGE	Distribution	PhP/kWh	0.7843	0.7448
	Supply	PhP/cust/mo	44.32	42.09
	Metering	PhP/meter/mo	37.11	35.24
HIGHER VOLTAGE	Distribution	PhP/kW	226.84	215.42
	Supply	PhP/cust/mo	44.32	42.09
	Metering	PhP/meter/mo	37.11	35.24

It further prays that herein Applicant be provisionally authorized to implement the above Tariff Glide Path rates pending hearing and final evaluation of the Application by the Honorable Commission.

Other relief/s 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 **06 April 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at PANELCO III's principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan.**

Accordingly, PANELCO III 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 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*, 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.

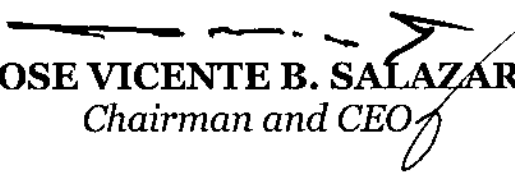
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

PANELCO III 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, 01 February 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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


**ERC**



Office of the Chairman and CEO



\*B-2017-007-OC-00030\*

  
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**ERC CASE NO. 2014-067 RC**  
**ORDER/ 01 FEBRUARY 2017**  
**PAGE 9 OF 11**

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**COPY FURNISHED:**

1. Pangasinan III Electric Cooperative, Inc. (PANELCO III)  
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2. Atty. Zenon S. Suarez  
Counsel for Applicant PANELCO III  
Rm. 601, Web-Jet Bldg., 64 Quezon Ave.,  
Cor. MBA St., Quezon City
3. Office of the Mayor  
City of Urdaneta  
Province of Pangasinan
4. Local Government Unit (LGU) legislative body  
City of Urdaneta  
Province of Pangasinan
5. Office of the Mayor  
Asingan, Pangasinan
6. Office of the LGU legislative body  
Asingan, Pangasinan
7. Office of the Mayor  
Balungao, Pangasinan
8. Office of the LGU legislative body  
Balungao, Pangasinan
9. Office of the Mayor  
Binalonan, Pangasinan
10. Office of the LGU legislative body  
Binalonan, Pangasinan
11. Office of the Mayor  
Laoac, Pangasinan
12. Office of the LGU legislative body  
Laoac, Pangasinan
13. Office of the Mayor  
Mapandan, Pangasinan
14. Office of the LGU legislative body  
Mapandan, Pangasinan
15. Office of the Mayor  
Natividad, Pangasinan
16. Office of the LGU legislative body  
Natividad, Pangasinan
17. Office of the Mayor  
Pozorrubio, Pangasinan
18. Office of the LGU legislative body  
Pozorrubio, Pangasinan
19. Office of the Mayor  
Rosales, Pangasinan
20. Office of the LGU legislative body  
Rosales, Pangasinan

**ERC CASE NO. 2014-067 RC**  
**ORDER/ 01 FEBRUARY 2017**  
**PAGE 10 OF 11**

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21. Office of the Mayor  
San Manuel, Pangasinan
22. Office of the LGU legislative body  
San Manuel, Pangasinan
23. Office of the Mayor  
San Nicolas, Pangasinan
24. Office of the LGU legislative body  
San Nicolas, Pangasinan
25. Office of the Mayor  
San Quintin, Pangasinan
26. Office of the LGU legislative body  
San Quintin, Pangasinan
27. Office of the Mayor  
Sta. Maria, Pangasinan
28. Office of the LGU legislative body  
Sta. Maria, Pangasinan
29. Office of the Mayor  
Sto. Tomas, Pangasinan
30. Office of the LGU legislative body  
Sto. Tomas, Pangasinan
31. Office of the Mayor  
Tayug, Pangasinan
32. Office of the LGU legislative body  
Tayug, Pangasinan
33. Office of the Mayor  
Umingan, Pangasinan
34. Office of the LGU legislative body  
Umingan, Pangasinan
35. Office of the Mayor  
Villasis, Pangasinan
36. Office of the LGU legislative body  
Villasis, Pangasinan
37. Office of the Mayor  
Manaoag City, Pangasinan
38. Office of the LGU legislative body  
Manaoag City, Pangasinan
39. Office of the Governor  
Province of Pangasinan
40. Office of the LGU legislative body  
Province of Pangasinan
41. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
42. Commission on Audit  
Commonwealth Avenue, Quezon City
43. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City

44. House Committee on Energy  
Batasan Hills, Quezon City
  
45. 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
  
46. Regulatory Operations Service  
Energy Regulatory Commission  
17th Floor, Pacific Center, San Miguel Avenue, Pasig City