

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE TARIFF
GLIDE PATH
CALCULATION PURSUANT
TO ARTICLE VII OF THE
RSEC-WR AND ERC
RESOLUTION NO. 8,
SERIES OF 2011, WITH
PRAYER FOR
PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015-086 RC

**CEBU II ELECTRIC
COOPERATIVE, INC.
(CEBECO II),**

Applicant.

X-----X

D U C K E T E D

Date: EEB/07/2017

By: [Signature]

O R D E R

On 30 April 2015, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* seeking the Commission's approval of its Tariff Glide Path calculation pursuant to Article VII of the Rules for Setting Electric Cooperatives Wheeling Rates (RSEC-WR) and ERC Resolution No. 8, Series of 2011, with prayer for provisional authority.

CEBECO II alleged the following in its *Application*:

THE APPLICANT

1. CEBECO II is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Malingin, Bogo City, Cebu where it may be served with summons and other legal processes, represented in this *Application* by its General Manager, Lowell O. Belciña, of legal age, Filipino,

duly authorized by virtue of Resolution No. 31b, Series of 2015 dated March 14, 2015, copy of which is attached to the Application as Annex "A";

The filing of the instant Application is likewise authorized under the same Resolution aforementioned.

2. CEBECO II has the exclusive right and authority to operate an electric light and power services in the Cities of Bogo and Danao and the Municipalities of Medellin, Daan Bantayan, San Remigio, Tabogon, Borbon, Tabuelan, Tuburan, Sogod, Catmon, Carmen and Compostela all in the Province of Cebu, by virtue of a franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645;
3. On 23 September 2009, the Commission issued and approved Resolution No. 20, Series of 2009, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR);
4. Pursuant to the afore-mentioned ERC Resolution, Applicant filed an Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on October 21, 2009. Accordingly, after the required public hearing, ERC in its Decision dated January 11, 2010 granted CEBECO II the following rates:

Particulars		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
	PhP/Kw			219.68
	PhP/kWh	0.5782	0.7595	
Supply Charges:				
	PhP/cust/mo		42.92	42.92
	PhP/kWh	0.6001		
Metering Charges:				
	PhP/cust/mo	5.00	35.94	35.94
	PhP/kWh	0.4326		

5. On 19 April 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;

6. After series of public consultations conducted by the ERC in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated 2 May 2011, the ERC resolved to adopt the “Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric cooperatives’ Wheeling Rates;

7. Pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index “I”} - \text{Efficiency Factor “X”} + \text{Performance Incentive “S”}]$$

The Index, “I” shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the load growth. 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 the above or below standard performance, respectively;

8. Following the afore-quoted formula, CEBECO II proposes the following TGP calculation:

8.a. Index “I” Calculation

8.a.1. CPI Calculation (2012-2015)

Particulars	Average CPI	CPI
YEAR n-1 (2012)	122.20	
YEAR n (2013)	128.80	5.40%
YEAR n+1 (2014)	134.90	4.74%
YEAR n+2 (2015)	141.60	4.97%

8.a.2. Growth Rate Calculation (2012-2015)

Particulars	Total KWh Sales	GR
YEAR n-1 (2012)	236,439,517	
YEAR n (2013)	238,332,207	0.80%
YEAR n+1 (2014)	253,256,712	6.26%
YEAR n+2 (2015)	279,577,199	10.39%

8.b. Efficiency Factor "X" Calculation

8.b.1. Calculation of Man-hours (2012-2015)

Personnel	2012	2013	2014	2015
Regular	632,395	631,940	566,052	766,060
Contractual				
Meter Reading		15,490	49,848	52,439
Line Clearing	4,317	5,147	4,312	7,413
Security Guard	70,080	70,080	87,552	96,360
Total Man-hours	706,792	722,657	707,764	922,272

8.b.2. FTE/CPE (2012-2015)

Particulars	2012	2013	2014	2015
TOTAL MANHOURS	706,792	722,657	707,764	922,272
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	340	347	340	443
Total number of billed connections (yearend)	108,761	114,260	119,290	123,161
CPE	320	329	351	278

8.c. Performance Incentive "S" Calculation

8.c.1. SAIDI Calculation (2013-2015)

	2013	2014	2015
Customer Minutes Affected	45,342,417.12	21,960,276.39	36,982,942.08
No. of Billed Customers	111,527	115,623	118,672
SAIDI	406.56	189.93	311.64

8.c.2. SAIFI Calculation (2013-2015)

	2013	2014	2015
Customers Affected	505,217.31	41,3930.34	696,604.64
Customers served	111,527	115,623	118,672
SAIFI	4.53	3.58	5.87

8.c.3. SL Calculation (2012-2015)

MWH	2012	2013	2014	2015
kWh Purchased	21,358,714	21,840,,208	23,233,795	25,632,719
kWh Sold	19,703,293	19,861,017	21,104,726	23,298,100
System Loss (in kWh)	1,655,402	1,979,190	2,129,069	2,334,619
System Loss (in %)	7.75%	9.06%	9.16%	9.11%

Details of the aforementioned calculations are provided and contained in Annex "B" hereof.

9. As observed, there is a minimal upward adjustment in Applicant's rates resulting in a 11.50% adjustment including "S" and 4.60% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP A (including S)	TGP A (excluding S)
YEAR 2013	4.60%	0.00%	2.30%	6.90%	4.60%
YEAR 2014	0.00%	0.00%	2.30%	2.30%	0.00%
YEAR 2015	0.00%	0.00%	2.30%	2.30%	0.00%
TOTAL				11.50%	4.60%

10. In support of the application, attached to the Application in a separate bundle marked as Annex "C" are the following:

- 10.a. MFSR (Sections B & E) (2010-2014)
- 10.b. Billing Determinants Template (kWh Sales, No. of customers, kW Demand) (2010-2014)

- 10.c. Sample Bills (1 per customer type for 2010-2014)
- 10.d. Regional CPI (2009-2014)
- 10.e. RFSC/Reinvestment fund Utilization (2010-2014)
- 10.f. Consumer Complaints (Summary or tracking form) (2010-2014)
- 10.g. Audited Financial Statement (2010-2014)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

- 11. In compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules of Practice and Procedure, CEBECO II furnished copies of this Application together with all its annexes the legislative bodies of the City of Bogu where its office is principally located, as well as the Provincial Board of the Province of Cebu, as evidenced by the affidavit of service executed by Romeo S. Torrizo, Jr., an associate under the Office of the General Manager, with a copy of the page of the application bearing the stamp "RECEIVED", attached to the Application as annex "D". Likewise, a copy of the Application was published in the Freeman, a newspaper of general circulation in the franchise area of the Applicant and the Province of Cebu, as evidenced by the Affidavit of Publication executed by the Editor, and original copy of the issue showing the published application, copies of which are attached to the Application as Annexes "E" and "F", respectively;
- 12. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted on April 23, 2015 pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application;

APPLICATION FOR PROVISIONAL AUTHORITY

- 13. The current rate is no longer responsive and adequate to the needs of CEBECO II since the costs of providing electric service to the consumers increased significantly;
- 14. With this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;

15. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;
16. The provisional authority thus prayed for would bring forth relief on the financial constraints suffered by CEBECO II, if not remedied, may resort to unreasonable operational decline. Attached to the Application is the judicial affidavit of the Finance Manager, Snowie R. Cogal in support of the prayer for provisional authority marked as Annex "G";
17. CEBECO II respectfully prays of the Commission that after due notice and hearing:
 - a. To approve the proposed Tariff Glide Path Rates calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6447	0.6048
	Supply	PhP/kWh	0.6001	0.6691	0.6277
	Metering	PhP/kWh	0.4326	0.4824	0.4525
	Metering	PhP/meter/mo	5.00	5.58	5.23
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8468	0.7944
	Supply	PhP/cust/mo	42.92	47.86	44.89
	Metering	PhP/meter/mo	35.94	40.07	37.59
HIGHER VOLTAGE	Distribution	PhP/kWh	219.68	244.94	229.79
	Supply	PhP/cust/mo	42.92	47.86	44.89
	Metering	PhP/meter/mo	35.94	40.07	37.59

- b. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Commission.

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 **23 March 2017 (Thursday) at nine o'clock in the morning (9:00 A.M.), at CEBECO II's principal office at Malingin, Bogo City, Cebu.**

Accordingly, CEBECO II 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.

CEBECO II 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 and CEO



B-2017-007-OC-00005



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Copy Furnished:

1. A.C. Gaviola Law Office
Counsel for CEBECO II
Rm. 203, 2/F Crown Port View Hotel
3rd Avenue, North Reclamation Area, Cebu City
2. Cebu II Electric Cooperative, Inc. (CEBECO II)
Malingin, Bogo, Cebu
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
6. The Committee On Energy
House of Representatives
Batasan Hills, Quezon City
7. Office of the Governor
Province of Cebu
8. Office of the Local Government Unit (LGU) legislative body
Province of Cebu
9. Office of the City Mayor
City of Danao, Cebu
10. Office of the Local Government Unit (LGU) legislative body
City of Danao, Cebu
11. Office of the City Mayor
Bogo, Cebu
12. Office of the Local Government Unit (LGU) legislative body
Bogo, Cebu
13. The Office of the Municipal Mayor
Medellin, Cebu
14. Office of the Local Government Unit (LGU) legislative body
Medellin, Cebu
15. The Office of the Municipal Mayor
Daanbantayan, Cebu
16. Office of the Local Government Unit (LGU) legislative body
Daanbantayan, Cebu
17. The Office of the Municipal Mayor
San Remigio, Cebu

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18. Office of the Local Government Unit (LGU) legislative body
San Remigio, Cebu
19. The Office of the Municipal Mayor
Tabogon, Cebu
20. Office of the Local Government Unit (LGU) legislative body
Tabogon, Cebu
21. The Office of the Municipal Mayor
Borbon, Cebu
22. Office of the Local Government Unit (LGU) legislative body
Borbon, Cebu
23. The Office of the Municipal Mayor
Sogod, Cebu
24. Office of the Local Government Unit (LGU) legislative body
Sogod, Cebu
25. The Office of the Municipal Mayor
Tabuelan, Cebu
26. Office of the Local Government Unit (LGU) legislative body
Tabuelan, Cebu
27. The Office of the Municipal Mayor
Tuburan, Cebu
28. Office of the Local Government Unit (LGU) legislative body
Tuburan, Cebu
29. The Office of the Municipal Mayor
Catmon, Cebu
30. Office of the Local Government Unit (LGU) legislative body
Catmon, Cebu
31. The Office of the Municipal Mayor
Carmen, Cebu
32. Office of the Local Government Unit (LGU) legislative body
Carmen, Cebu
33. The Office of the Municipal Mayor
Compostela, Cebu
34. Office of the Local Government Unit (LGU) legislative body
Compostela, Cebu
35. Philippine Chamber of Commerce and Industry (PCCI)
3rd floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
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36. Regulatory Operations Service (ROS)
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City