

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.08,
SERIES OF 2011, WITH
PRAYER FOR
PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015-083 RC

**CEBU I ELECTRIC
COOPERATIVE, INC.
(CEBECO I),
Applicant.**

X-----X

DOCKETED
Date: FEB 13 2017
By: _____

ORDER

On 29 April 2015, Cebu I Electric Cooperative, Inc. (CEBECO I) filed an application dated 23 April 2015 seeking the Commission's 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 the issuance of provisional authority.

CEBECO I alleged the following in its Application:

1. That Cebu I Electric Cooperative, Inc. (CEBECO I) 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 Bitoon, Dumanjug, Cebu where it may be served with summons and other legal processes, represented in this Application by its General Manager, MARLOU M. RENDON, of legal age, Filipino, duly authorized by virtue of Resolution No. 34, Series of 2015 dated April 11, 2015, copy of which is attached hereto as Annex "A".

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

2. That, Applicant has the exclusive right and authority to operate an electric light and power services in the City of Carcar and the Municipalities of Barili, Dumanjug, Ronda, Alcantara, Moalboal, Badian, Alegria, Malabuyoc, Ginatilan, Samboan, Santander, Sibonga, Argao, Dalaguete, Alcoy, Boljo-on, and Oslob, 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. That, on September 23, 2009, the Honorable 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 43z(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. That 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 Applicant the following rates:

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		

5. That, on April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules of Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;
6. That, after a series of public consultations conducted by the ERC in Luzon, Visayas, and Mindanao, in its Resolution No. 8, dated May 8, 2011, ERC resolved to adopt the “Rules Guiding the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric Cooperatives’ Wheeling Rates;
7. That, 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 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.

8. Following the afore-quoted formula, Applicant 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)	127,210,386	
YEAR n (2013)	138,667,805	9.01%
YEAR n+1 (2014)	151,504,009	9.26%
YEAR n+2 (2015)	155,882,542	2.89%

8.b. Efficiency Factor "X" Calculation

8.b.1. Calculation of Man-hours (2012-2015)
(Excluding Mini-Hydro Personnel)

Particulars	2012	2013	2014	2015
Regular	382,514.0	402,217.7	448,686.5	464,045.0
Contractual				
Lineman & Other Office Personnel (Proba)	19,395.5	83,106.7	32,893.8	28,452.0
Lineman – Project Based	0.0	7,856.0	36,395.0	59,805.1
Staking Personnel	26,014.8	9,520.0	16,417.5	35,932.9
Security Guard	37,440.0	39,936.0	47,424.0	47,424.0
Total Manhours	465,364.3	542,636.4	581,816.8	635,659.0

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

Particulars	2012	2013	2014	2015
TOTAL MANHOURS	465,364.3	542,636.4	581,816.8	635,659.0
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	224	261	280	306
Total number of billed connections (year-end)	91,289	96,640	103,238	110,463
CPE	408	370	369	361

8.c. Performance Incentive "S" Calculation

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

	2013	2014	2015
Customer Minutes Affected	60,799,290	58,892,839	52,711,945
Average Billed Customers	94,248	100,778	107,229
SAIDI	645.10	534.77	491.58

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

	2013	2014	2015
Customer Minutes Affected	1,030,250	888,689	1,037,975
Average Billed Customers	94,248	100,778	107,229
SAIFI	10.93	8.82	9.68

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

MWH	2012	2013	2014	2015
kWh Purchased	139,493.22	151,288.58	166,765.40	172,481.71
kWh Sold	127,210.39	138,667.81	151,504.01	155,882.54
System Loss (in kWh)	12,282.84	12,620.77	15,261.39	16,599.17
System Loss (in %)	8.81%	8.34%	9.15%	9.62%

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

9. That, as observed, there is a minimal upward adjustment in Applicant's rates resulting in a 9.18% adjustment including "S" and 2.08% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP A (Including S)	TGP A (Excluding S)
Year 2013	0.00%	0.00%	2.10%	2.10%	0.00%
Year 2014	0.00%	0.00%	2.50%	2.50%	0.00%
Year 2015	2.08%	0.00%	2.50%	4.58%	2.08%
TOTAL				9.18%	2.08%

10. Attached herewith in a separate bundle marked as Annex "C" are the following:
- 10.a MFSR (Sections B & E for 2010-2014)
 - 10.b. Billing Determinants Template (kWh Sales, No. of Customers, kW Demand for 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. That, in compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules on Practice and Procedure, Applicant furnished copies of this Application together with all its annexes the legislative bodies of the Municipality of Dumanjug where its office is principally located, as well as the Provincial Board of the Province of Cebu, on April 27, 2015, as evidenced by the affidavit of service executed by Doven Lynvic J. Cantila, an associate under the Office of the General Manager, with a copy of the page of the application bearing the stamp "RECEIVED", herewith attached as annex "D". Likewise, a copy of the Application was published 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 hereto as Annexes "E" and "F", respectively;

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12. That the current rate is no longer responsive and adequate to the needs of the Applicant since the costs of providing electric service to the consumers increased significantly;
13. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
14. That, 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;
15. That, the provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Finance Manager in support of the prayer for provisional authority marked as Annex "G".

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the proposed Tariff Glide Path Rates calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC Rates	Tariff Glide Path Rates Excluding S	Tariff Glide Path Rates Excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6313	0.5902
	Supply	PhP/kWh	0.6001	0.6552	0.6126
	Metering	PhP/kWh	0.4326	0.4723	0.4416
	Metering	PhP/meter/mo	5.00	5.46	5.10
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8292	0.7753
	Supply	PhP/cust/mo	42.92	48.86	43.81
	Metering	PhP/meter/mo	35.94	39.24	36.69
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	239.84	224.24
	Supply	PhP/cust/mo	42.92	46.86	43.81
	Metering	PhP/meter/mo	35.94	39.24	36.69

2. 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 Honorable Commission.

Respectfully submitted.

Finding the said Application sufficient in substance with the required fees having been paid, the instant Application is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **22 March 2017 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at CEBECO I's principal office in Bitoon, Dumanjug, Cebu.**

Accordingly, CEBECO 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 therefor, 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 CEBECO I 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 CEBECO I 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 I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium it 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, 27 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman and CEO

ERC



Office of the Chairman and CEO



B-2017-009-OC-00062

LS: [signature] /par/apv

Copy furnished:

1. **A.C. Gaviola Law Office**
Counsel for Applicant CEBECO I
Rm. 203, 2/F Crown port View Hotel
3rd Ave., North Reclamation Area, Cebu City
2. **Cebu I Electric Cooperative, Inc. (CEBECO I)**
Applicant
Bitoon, Dumanjug, Cebu 6035
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City 1229
4. **Commission on Audit**
Commonwealth Avenue, Quezon City 1121

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5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard, Pasay City 1308
6. **House Committee on Energy**
Batasan Hills, Quezon City 1126
7. **Office of the Provincial Governor**
Province of Cebu 6000
8. **Office of the LGU Legislative Body**
Province of Cebu 6000
9. **Office of the City Mayor**
Carcar City, Cebu 6019
10. **Office of the LGU Legislative Body**
Carcar City, Cebu 6019
11. **Office of the Municipal Mayor**
Barili, Cebu 6036
12. **Office of the LGU Legislative Body**
Barili, Cebu 6036
13. **Office of the Municipal Mayor**
Dumanjug, Cebu 6035
14. **Office of the LGU Legislative Body**
Dumanjug, Cebu 6035
15. **Office of the Municipal Mayor**
Ronda, Cebu 6034
16. **Office of the LGU Legislative Body**
Ronda, Cebu 6034
17. **Office of the Municipal Mayor**
Alcantara, Cebu 6033
18. **Office of the LGU Legislative Body**
Alcantara, Cebu 6033
19. **Office of the Municipal Mayor**
Moalboal, Cebu 6032
20. **Office of the LGU Legislative Body**
Moalboal, Cebu 6032
21. **Office of the Municipal Mayor**
Badian, Cebu 6031
22. **Office of the LGU Legislative Body**
Badian, Cebu 6031
23. **Office of the Municipal Mayor**
Alegria, Cebu 6030
24. **Office of the LGU Legislative Body**
Alegria, Cebu 6030
25. **Office of the Municipal Mayor**
Malabuyoc, Cebu 6029
26. **Office of the LGU Legislative Body**
Malabuyoc, Cebu 6029

27. **Office of the Municipal Mayor**
Ginatilan, Cebu 6026
28. **Office of the LGU Legislative Body**
Ginatilan, Cebu 6026
29. **Office of the Municipal Mayor**
Samboan, Cebu 6027
30. **Office of the LGU Legislative Body**
Samboan, Cebu 6027
31. **Office of the Municipal Mayor**
Santander, Cebu 6026
32. **Office of the LGU Legislative Body**
Santander, Cebu 6026
33. **Office of the Municipal Mayor**
Sibonga, Cebu 6020
34. **Office of the LGU Legislative Body**
Sibonga, Cebu 6020
35. **Office of the Municipal Mayor**
Argao, Cebu 6021
36. **Office of the LGU Legislative Body**
Argao, Cebu 6021
37. **Office of the Municipal Mayor**
Dalaguete, Cebu 6022
38. **Office of the LGU Legislative Body**
Dalaguete, Cebu 6022
39. **Office of the Municipal Mayor**
Alcoy, Cebu 6023
40. **Office of the LGU Legislative Body**
Alcoy, Cebu 6023
41. **Office of the Municipal Mayor**
Boljo-on, Cebu 6024
42. **Office of the LGU Legislative Body**
Boljo-on, Cebu 6024
43. **Office of the Municipal Mayor**
Oslob, Cebu 6025
44. **Office of the LGU Legislative Body**
Oslob, Cebu 6025
45. **Philippine Chamber of Commerce and Industry**
3rd Floor, Commerce and Industry Plaza,
1030, Campus Avenue, Fort Bonifacio, Taguig, 1634
46. **Regulatory Operations Service**
Energy Regulatory Commission
17th Floor, Pacific Center Building,
San Miguel Avenue, Ortigas Center 1600, Pasig City