

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,

ERC CASE NO. 2014-106 RC

CAMARINES NORTE
ELECTRIC COOPERATIVE,
INC. (CANORECO),

Applicant.

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D O C K E T E D
Date: FEB 21 2017
By: M

ORDER

On 10 July 2014, Applicant Camarines Norte Electric Cooperative, Inc. (CANORECO) filed an Application dated 24 June 2014 seeking the Commission's approval for the adjustment in its rates in accordance with the rules governing the tariff glide path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR).

CANORECO alleged the following in its Application:

1. Applicant 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 J.P. Rizal St., Daet, Camarines Norte;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in all the municipalities of the province of Camarines Norte, namely: Basud, Capalonga, Daet, Jose Panganiban, Labo, Mercedes, San Lorenzo Ruiz, Paracale, San Vicente, Sta. Elena, Talisay and Vinzons.
3. Sometime in 2009, CANORECO filed with the Honorable Commission an application for approval of its proposed adjustment in rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);

4. The Honorable Commission approved the application, granting the cooperative the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/KW			219.6800
Distribution System Charge	PhP/KWh	0.5782	0.7595	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.9200	42.9200
Supply System Charge	PhP/KWh	0.6001	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.0000	35.9400	35.9400
Metering System Charge	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:

$$\text{Tariff} \times (1 + \text{index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"})$$

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.

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 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.

7. Under the TGP, the regulatory period is six (6) years for each entry Group. For the Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. CANORECO 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, CANORECO 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
Year 2012	2.04%	0.00%	-0.50%	1.54%	2.04%
Year 2013	0.00%	0.00%	-0.10%	-0.10%	0.00%
Year 2014	0.00%	3.46	1.50%	-1.96%	-3.46%
Net Results				-0.52%	-1.42%

10. Application of the above values would result in a reduction on the cooperative's existing DSM Rates, as follows:

a) WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	218.5400
Distribution System Charge	PhP/kWh	0.5752	0.7556	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.7000	42.7000
Supply System Charge	PhP/kWh	0.5970	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	35.7500	35.7500
Metering System Charge	PhP/kWh	0.4304	-	-

b) EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	216.5600
Distribution System Charge	PhP/kWh	0.5700	0.7487	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.3100	42.3100
Supply System Charge	PhP/kWh	0.5916	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9300	35.4300	35.4300
Metering System Charge	PhP/kWh	0.4265	-	-

11. In this regard, the TGP Rules further provides, thus

2. Regulatory Period and Process

2.4. Should the rate adjustment calculated in accordance with Section 3 results in a decrease, the EC shall implement the full amount of the reduction in rates. Failure of the EC to apply for and implement the rate reduction will be subject to the ERC's Rules on imposition of Fines and Penalties.

12. In view of all foregoing, applicant respectfully submits this application for the Honorable Commission's evaluation of its calculations and for the approval of its implementation of either of the above two alternative calculated DSM rates;

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

Annex No.	Nature of Document
A to 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 (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample bills per customer type (2010-2012)
E	Regional CPI (2010-2013)

F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Summary of Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2013)

14. Finally, in compliance with the pre-filing requirements for the instant application, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex No.	Nature of Document
I to I-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Daet and Sangguniang Panlalawigan of Camarines Norte
J to J-2	Publication of the Application in a newspaper of general circulation in CANORECO's franchise area or where it principally operates, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, CANORECO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2015 and up to December 2017, to wit:

a) WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	218.5400
Distribution System Charge	PhP/kWh	0.5752	0.7556	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.7000	42.7000
Supply System Charge	PhP/kWh	0.5970	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	35.7500	35.7500
Metering System Charge	PhP/kWh	0.4304	-	-

b. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	216.5600
Distribution System Charge	PhP/kWh	0.5700	0.7487	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.3100	42.3100
Supply System Charge	PhP/kWh	0.5916	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9300	35.4300	35.4300
Metering System Charge	PhP/kWh	0.4265	-	-

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 **20 April 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at CANORECO's Main Office in J. P. Rizal St., Daet, Camarines Norte.**

Accordingly, CANORECO 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 its 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 Governor, the City or 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 Governor, 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:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be 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.

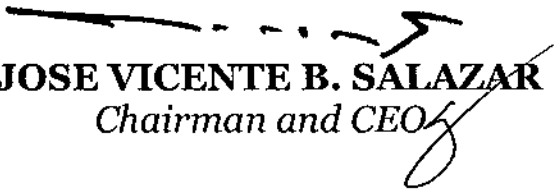
CANORECO must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

This Order supersedes the 19 January 2017 Order issued by the Commission.

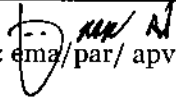
SO ORDERED.

Pasig City, 14 February 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO



LS:  par/ apv.2014-106 RC CANORECO.doc

Copy Furnished:

1. Attys. Ditas Lerios-Amboy and Precious Ellen Pingol
Counsels for CANORECO
Units 1609-1610, Tycoon Centre, Pearl Drive,
Ortigas Center, Pasig City
2. Camarines Norte Electric Cooperative, Inc.
J.P. Rizal St., Daet, Camarines Norte
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village , Makati City
4. Commission on Audit
Commonwealth Ave., Quezon City
5. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
6. The Committee on Energy
House of Representatives
Batasan Hills, Quezon City
6. Office of the Mayor
Basud, Camarines Norte
7. Office of the LGU Legislative Body
Basud, Camarines Norte
8. Office of the Mayor
Capalonga, Camarines Norte
9. Office of the LGU Legislative Body
Capalonga, Camarines Norte
10. Office of the Mayor
Daet, Camarines Norte
11. Office of the LGU Legislative Body
Daet, Camarines Norte
12. Office of the Mayor
Jose Panganiban, Camarines Norte
13. Office of the LGU Legislative Body
Jose Panganiban, Camarines Norte
14. Office of the Mayor
Labo, Camarines Norte
15. Office of the LGU Legislative Body
Labo, Camarines Norte

16. Office of the Mayor
Mercedes, Camarines Norte
17. Office of the LGU Legislative Body
Mercedes, Camarines Norte
18. Office of the Mayor
San Lorezo Ruiz, Camarines Norte
19. Office of the LGU Legislative Body
San Lorenzo Ruiz, Camarines Norte
20. Office of the Mayor
Paracale, Camarines Norte
21. Office of the LGU Legislative Body
Paracale, Camarines Norte
22. Office of the Mayor
San Vicente, Camarines Norte
23. Office of the LGU Legislative Body
San Vicente, Camarines Norte
24. Office of the Mayor
Sta. Elena, Camarines Norte
25. Office of the LGU Legislative Body
Sta. Elena, Camarines Norte
26. Office of the Mayor
Talisay, Camarines Norte
27. Office of the LGU Legislative Body
Talisay, Camarines Norte
28. Office of the Mayor
Vinzons, Camarines Norte
29. Office of the LGU Legislative Body
Vinzons, Camarines Norte
24. Office of the Governor
Province of Camarines Norte
25. Office of the LGU Legislative Body
Province of Camarines Norte
26. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
27. Regulatory Operations Service
17/F, Pacific Center Bldg., San Miguel Ave.,
Ortigas, Pasig City