

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 O C K E T E D**  
Date: MAR 30 2017  
By: [Signature]

**ORDER**

On 30 April 2015, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* dated 24 April 2015 (Application) 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 II alleged the following in its *Application*:

1. That, Cebu II Electric Cooperative, Inc. (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 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 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. 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 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. 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:

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

5. That, on April 19, 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. That, after a series of public consultations conducted by the ERC in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, 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. 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 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, Applicant proposes the following TGP calculation:

8.a. Index “I” Calculation

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

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

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

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

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

<b>Total Manhours</b>	<b>706,792</b>	<b>722,657</b>	<b>707,764</b>	<b>922,272</b>
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8.b.2 .FTE/CPE (2012-2015)

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

8.c. Performance Incentive "S" Calculation

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

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

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

	<b>2013</b>	<b>2014</b>	<b>2015</b>
<b>Customers Affected</b>	505,217.31	41,393.34	696,604.64
<b>Customers Served</b>	111,527	115,623	118,672
<b>SAIFI</b>	4.53	3.58	5.87

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

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

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 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)
<b>Year 2013</b>	<b>4.60%</b>	<b>0.00%</b>	<b>2.30%</b>	<b>6.90%</b>	<b>4.60%</b>
<b>Year 2014</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.30%</b>	<b>2.30%</b>	<b>0.00%</b>
<b>Year 2015</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.30%</b>	<b>2.30%</b>	<b>0.00%</b>
<b>TOTAL</b>				<b>11.50%</b>	<b>4.60%</b>

10. That, in support of the application, attached herewith 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. 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 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", herewith attached 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 hereto 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.

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13. 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;
14. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
15. 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;
16. 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, Snowie R. Cogal 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:

<b>Type of Consumer</b>	<b>Particulars</b>	<b>Unit</b>	<b>Approved RSEC Rates</b>	<b>Tariff Glide Path Rates including S</b>	<b>Tariff Glide Path Rates excluding S</b>
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/kW	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

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.

On 23 January 2017, the Commission issued an Order and a Notice of Public Hearing setting the *Application* for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on 23 March 2017.

On 01 March 2017, CEBECO II filed an *Urgent Motion for Resetting* (Motion) dated 27 February 2017 with prayer for the cancellation and resetting of the 23 March 2017 scheduled hearing due to conflict of schedule of the counsel for CEBECO II.

Finding the said Motion meritorious, the same is hereby **GRANTED**. Hence, the hearing scheduled on 23 March 2017 is hereby cancelled. Therefore, the Commission sets anew the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and evidentiary hearing on **19 April 2017 (Wednesday) at nine o'clock in the morning (9:00A.M.) at CEBECO II's principal office in Malingin, Bogo, 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 Governor, 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 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 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 II 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 therefor; 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 II 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 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.

**SO ORDERED.**

Pasig City, 20 March 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

**ERC**



Office of the Chairman and CEO

\*C-2017-024-OC-00723\*

LS: JAO/THH/LSP/APV

Copy furnished:

1. A.C. Gaviola Law Office  
*Counsel for Applicant CEBECO II*  
Rm. 203, 2/F Crown port View Hotel  
3<sup>rd</sup> Ave., North Reclamation Area, Cebu City
2. Cebu II Electric Cooperative, Inc. (CEBECO II)  
*Applicant*  
Malingin, Bogo, Cebu
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City
4. Commission on Audit  
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
6. House Committee on Energy  
Batasan Hills, Quezon City
7. Office of the Provincial Governor  
Province of Cebu
8. Office of the LGU Legislative Body  
Province of Cebu
9. Office of the City Mayor  
Bogo City, Cebu
10. Office of the LGU Legislative Body  
Bogo City, Cebu
11. Office of the City Mayor  
Danao City, Cebu

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12. Office of the LGU Legislative Body  
Danao City, Cebu
13. Office of the Municipal Mayor  
Medellin, Cebu
14. Office of the LGU Legislative Body  
Medellin, Cebu
15. Office of the Municipal Mayor  
Daan Bantayan, Cebu
16. Office of the LGU Legislative Body  
Daan Bantayan, Cebu
17. Office of the Municipal Mayor  
San Remigio, Cebu
18. Office of the LGU Legislative Body  
San Remigio, Cebu
19. Office of the Municipal Mayor  
Tabogon, Cebu
20. Office of the LGU Legislative Body  
Tabogon, Cebu
21. Office of the Municipal Mayor  
Borbon, Cebu
22. Office of the LGU Legislative Body  
Borbon, Cebu
23. Office of the Municipal Mayor  
Tabuelan, Cebu
24. Office of the LGU Legislative Body  
Tabuelan, Cebu
25. Office of the Municipal Mayor  
Tuburan, Cebu
26. Office of the LGU Legislative Body  
Tuburan, Cebu
27. Office of the Municipal Mayor  
Sogod, Cebu
28. Office of the LGU Legislative Body  
Sogod, Cebu
29. Office of the Municipal Mayor  
Catmon, Cebu
30. Office of the LGU Legislative Body  
Catmon, Cebu
31. Office of the Municipal Mayor  
Carmen, Cebu
32. Office of the LGU Legislative Body  
Carmen, Cebu
33. Office of the Municipal Mayor  
Compostela, Cebu

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34. Office of the LGU Legislative Body  
Compostela, Cebu
  
35. Philippine Chamber of Commerce and Industry  
3rd Floor, Commerce and Industry Plaza,  
1030, Campus Avenue, Fort Bonifacio, Taguig, 1634
  
36. Regulatory Operations Service  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center Building,  
San Miguel Avenue, Ortigas Center 1600, Pasig City