

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADJUSTMENT IN RATES
COVERING THE FIRST TO
THIRD REGULATORY
YEARS OF THE SECOND
REGULATORY PERIOD FOR
THE FIRST ENTRANT
GROUP UNDER THE
TARIFF GLIDE PATH (TGP)
RULES**

ERC Case No. 2016-177RC

**MISAMIS OCCIDENTAL
ELECTRIC COOPERATIVE,
INC. (MOELCI-II),**

Applicant.

X-----X

D O C K E T E D
Date: AUG 03 2017
By: [Signature]

ORDER

On 3 October 2016, Applicant Misamis Occidental II Electric Cooperative, Inc. (MOELCI-II) filed an Application for approval of its rate adjustment for the Second Regulatory period.

In its Application, MOELCI-II alleged, among others, the following:

1. MOELCI II is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal offices at the Circumferential Road, Bitoon, Ozamis City;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution system in the cities of Ozamis and Tangub, and certain municipalities in the province of Misamis Occidental, namely:

Bonifacio, Clarin, Tudela, Sinacaban, Jimenez and Panaon.

NATURE OF THE APPLICATION

3. The instant Application is being filed for the approval of Applicant’s proposed adjustment in its Distribution, Supply and Metering (DSM) Rates covering the First to Third Regulatory Years of the Second Regulatory Period for Electric Cooperatives belonging to the First Entrant Group under the Tariff Glide Path Rules (TGP Rules), as well as other pertinent laws and rules.

STATEMENT OF FACTS

4. Sometime in year 2013, Applicant filed with the Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2013-099 RC.
5. In the said application, Applicant prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective January 2014, to wit:

A. WITH PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	223.7600
Distribution System Charge	PhP/kWh	0.6056	0.6045	-
Supply Charges:				
Retail Customer Charge	PhP/Customer /Mo	-	49.0000	49.0000
Supply System Charge	PhP/kWh	0.6862	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.8875	36.7300	36.7300
Metering System Charge	PhP/kWh	0.4320	-	-

**B. EXCLUDING PERFORMANCE
INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	214.0700
Distribution System Charge	PhP/kWh	0.5794	0.5783	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	46.8700	46.8700
Supply System Charge	PhP/kWh	0.6565	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6325	35.1400	35.1400
Metering System Charge	PhP/kWh	0.4133	-	-

6. Foregoing application was Applicant's initial application for DSM rate adjustment pursuant to the TGP Rules, under which electric cooperatives are given an opportunity to adjust their rates once every three (3) years, which may occur at the start of the fourth year of the First Regulatory Period and every three years thereafter.

7. Applicant belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. Having filed its initial application for DSM rate adjustment in 2013 which is the third regulatory year of the First Regulatory Period, the cooperative is filing the instant application this present year 2016, which is the sixth regulatory year of the First Regulatory Period, for the proposed adjustment of its DSM rates covering the first to third regulatory years of the Second Regulatory Period for the First Entrant Group.

8. The hearing on jurisdictional requirements, expository presentation and presentation of evidence on Applicant's first TGP application under ERC Case No. 2013-120 RC had been completed. Also, it had already submitted its Formal Offer of

Evidence and the application is now submitted for evaluation of the Honorable Commission. Despite the pendency of ERC Case No. 2013-099 RC, Applicant is constrained to adopt and use the proposed DSM rates in said pending application as bases in computing the proposed adjustment in the instant Application.

THE PROPOSED DSM RATE ADJUSTMENT

9. Under the TGP Rules, the concerned electric cooperative shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

$$TGP_B = TGP_n + TGP_{n+1} TGP_{n+2}$$

where

$$TGP_n = I_n - X_n + S_n$$

n = the fourth year of the Regulatory Period

and succeeding Regulatory Periods

The TGP calculated for each of the three years will be summed to determine the possible rate adjustment starting on the First Year of the next Regulatory Period.

10. Applying the methodology embodied in the TGP Rules, herein Applicant calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"(B)	"X"(B)	"S"(B)	TGP B	TGP B (excluding S)
YEAR 2014	0.00%	0.00%	-0.70%	-0.70%	0.00%
YEAR 2015	3.39%	2.45%	1.30%	2.25%	0.95%
YEAR 2016	0.00%	0.00%	1.70%	1.70%	0.00%
TOTAL				3.25%	0.95%

11. Utilizing the above values will result in adjustments in the cooperative's DSM Rates covering the first to third years of the second regulatory period for

electric cooperatives belonging to the First Entrant Group, as follows:

A. WITH PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.0325
Distribution System Charge	PhP/kWh	0.6253	0.6242	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		50.5900	50.5900
Supply System Charge	PhP/kWh	0.7086		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	6.0788	37.9200	37.9200
Metering System Charge	PhP/kWh	0.4461		

B. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			216.1024
Distribution System Charge	PhP/kWh	0.5849	0.5838	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.3200	47.3200
Supply System Charge	PhP/kWh	0.6628		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6860	35.4700	35.4700
Metering System Charge	PhP/kWh	0.4172		

- Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, effective January 1, 2017 and up to December 31, 2019.

SUPPORTING DATA AND DOCUMENTS

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

Annex Markings	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	MFSR - Sections B and E (2012-2015)
C	Billing Determinants Template (2012-2015) (kWh Sales, No. of Customers, kW Demand)
D	Sample Bills per customer type (2012-2015)
E	Regional CPI (2012-2015)
F	RFSC Utilization (2013-2015)
G	Consumer Complaints Summary or Tracking Form (2013-2015)
H	Audited Financial Statements (2013-2015)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

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 Markings	Nature of Document
I to I-1	Proof of furnishing copies of the Application to the SangguniangPanlungsod of OzamisCity and the SangguniangPanlalawigan of Misamis Occidental
J and series	Publication of the Application in a newspaper of general circulation in MOELCI II'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, Applicant MOELCI II be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply

and Metering (DSM) Charges, effective January 2017 and up to December 31, 2019, to wit:

A. WITH PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.0325
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Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6860	35.4700	35.4700
Metering System Charge	PhP/kWh	0.4172		

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 said case was set for initial hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and

presentation of evidence on 21 June 2017 (Wednesday) at ten o'clock in the Morning (10:00 A.M.), at MOELCI II's principal office at Circumferential Road, Bitoon, Ozamiz City, Misamis Occidental.

On 23 May 2017, President Rodrigo R. Duterte placed the entire Island of Mindanao, including Basilan, Sulu and Tawi-tawi, under Martial Law effective within the next sixty (60) days. The same was precipitated by the on-going conflict between the Maute Group and government forces in Marawi City, Lanao Del Sur.

Considering the situation, the Commission issued an Order on 25 May 2017 cancelling the Public Hearing scheduled on 21 June 2017 (Wednesday).

As the situation in Marawi, as well as in the entire Mindanao have relatively improved, the Commission hereby resets the **initial public hearing for the instant case on 4 September 2017, at nine o'clock in the Morning (9:00 A.M.), at MOELCI II's principal office at Circumferential Road, Bitoon, Ozamiz City, Misamis Occidental.**

Accordingly, Applicant MOELCI 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, 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 MOELCI II 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 Applicants to inform of the filing of the Joint 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 Joint 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 directed 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 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 submit the required Pre-trial Brief and judicial Affidavits of its witnesses 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 said date of cancellation.

Applicant must also be prepared to make an expository presentation of its 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.

SO ORDERED.

Pasig City, 25 July 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON

Officer-in-Charge

of the Energy Regulatory Commission

Copy furnished:

1. **Dechavez & Evangelista Law Offices**
*Counsel for the Applicant MISAMIS OCCIDENTAL II
ELECTRIC COOPERATIVE, INC. (MOELCI II)*
Units 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City
2. **Office of the Solicitor General (OSG)**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
3. **Commission on Audit (COA)**
Commonwealth Avenue
Quezon City, Metro Manila
4. **Senate Committee on Energy**
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
5. **House of Representatives Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
6. **Philippine Chamber of Commerce and Industry (PCCI)**
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
7. **Office of the City Mayor**
Ozamiz City, Misamis Occidental
8. **Office of the City Mayor**
Tangub City, Misamis Occidental
9. **Office of the Municipal Mayor**
Bonifacio, Misamis Occidental
10. **Office of the Municipal Mayor**
Clarín, Misamis Occidental
11. **Office of the Municipal Mayor**
Jimenez, Misamis Occidental
12. **Office of the Municipal Mayor**
Panaon, Misamis Occidental
13. **Office of the Municipal Mayor**
Sinacaban, Misamis Occidental

14. **Office of the Municipal Mayor**
Tudela, Misamis Occidental

15. **Office of the Governor**
Province of Misamis Occidental