

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 "B" (TGP "B")  
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. 2018-029 RC**

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

**Applicant.**

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Promulgated:

MAR 2-6-2019-

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 26 April 2018, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* dated 19 April 2018 (Application) seeking the Commission's approval of its Tariff Glide Path "B" (TGP "B") calculation, pursuant to Article VII of the RSEC-WR and Commission's Resolution No. 8, Series of 2011, with prayer for provisional authority.

On 14 September 2018, CEBECO II filed an *Urgent Motion for Resetting and to Admit Amended Application* due to discrepancy discovered in its metering facility which affected its proposed TGP "B".

In the said *Amended Application*, CEBECO II alleged the following, among others:

1. Applicant CEBECO II is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No.

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269 as amended, with principal office located at Malingin, Bogoto City, Cebu, Philippines, represented herein by its General Manager, Lowell O. Belciña, duly authorized by virtue of Board Resolution No. 92, series of 2018 dated September 8, 2018 of the Board of Directors, copy of which is attached hereto as **Annex “A”** and made an integral part hereof;

The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the Cities of Bogoto and Danao and the Municipalities of Medellin, Daanbantayan, San Remigio, Tabogon, Borbon, Tabuelan, Tuburan, Sogod, Catmon, Carmen and Compostela, all in the Province of Cebu;

**THE APPLICATION AND ITS PURPOSE**

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 Order dated January 11, 2010 granted Applicant the following provisional 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;

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6. That, after 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. Accordingly, on April 30, 2015, Applicant CEBECO II filed an application for the approval of the proposed Tariff Glide Path calculation for the first to the third year of the first regulatory period (**TGP “A”**) docketed as ERC Case No. 2015-086 RC 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

9. Pending resolution of ERC Case No. 2015-086 RC, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (**TGP “B”**):

**9.a. Amended Index “I” Calculation**

**9.a.1. CPI Calculation (2015-2018)**

Particulars	Average CPI	CPI
<b>YEAR n-1 (2015)</b>	<b>141.60</b>	
<b>YEAR n (2016)</b>	<b>144.20</b>	<b>1.84%</b>

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YEAR n+1 (2017)	147.90	2.57%
YEAR n+2 (2018)	153.00	3.45%

**9.a.2. Amended Growth Rate Calculation (2015-2018)**

Particulars	Total KWh Sales	GR
YEAR n-1 (2015)	279,577,199	
YEAR n (2016)	308,195,145	10.24 %
YEAR n+1 (2017)	345,915,557	12.24%
YEAR n+2 (2018)	374,308,879	8.21%

**9.b. Efficiency Factor "X" Calculation**

**9.b.1. Calculation of Man-hours (2015-2018)**

Personnel	2015	2016	2017	2018
Regular	766,060	765,568	804,132	919,208
Contractual				
<b>Meter Reading</b>	<b>52,439</b>	<b>49,428</b>	<b>47,101</b>	<b>54,114</b>
<b>Line Clearing</b>	<b>7,413</b>	<b>10,800</b>	<b>14,400</b>	<b>77,200</b>
<b>Security Guard</b>	<b>96,360</b>	<b>108,804</b>	<b>120,891</b>	<b>125,993</b>
<b>Meter Change</b>		<b>7,168</b>	<b>7,168</b>	<b>7,168</b>
<b>Construction Distribution Line</b>		<b>2,352</b>	<b>2,352</b>	<b>2,352</b>
<b>Total Man-hours</b>	<b>922,272</b>	<b>944,120</b>	<b>996,044</b>	<b>1,186,035</b>

**9.b.2. FTE/CPE (2015-2018)**

Particulars	2015	2016	2017	2018
<b>TOTAL MANHOURS</b>	<b>922,272</b>	<b>944,120</b>	<b>996,044</b>	<b>1,186,035</b>
<b>Full time equivalent man hours per year</b>	<b>2,080</b>	<b>2,080</b>	<b>2,080</b>	<b>2,080</b>
<b>FTE</b>	<b>443</b>	<b>454</b>	<b>479</b>	<b>570</b>
<b>Total number of billed connections (yearend)</b>	<b>123,161</b>	<b>132,769</b>	<b>139,453</b>	<b>144,796</b>
<b>CPE</b>	<b>278</b>	<b>293</b>	<b>291</b>	<b>254</b>

**9.c. Amended Performance Incentive "S" Calculation**

**9.c.1. Amended SAIDI Calculation (2016-2018)**

	2016	2017	2018
<b>Customer Minutes Affected</b>	<b>90,736,673.14</b>	<b>127,235,140.50</b>	<b>132,084,366.48</b>
<b>No. of Billed Customers</b>	<b>130,562</b>	<b>137,033</b>	<b>142,472</b>
<b>SAIDI</b>	<b>694.97</b>	<b>928.50</b>	<b>927.09</b>

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**9.c.2. Amended SAIFI Calculation (2016-2018)**

	2016	2017	2018
Customers Affected	1,377,429.10	957,860.67	1,218,135.60
Customers served	130,562	137,033	142,472
SAIFI	10.55	6.99	8.55

**9.c.3. Amended SL Calculation (2015-2018)**

MWH	2015	2016	2017	2018
kWh Purchased	307,592,625	342,283,333	388,313,049	413,506,745
kWh Sold	279,577,199	308,195,145	345,915,557	374,308,879
System Loss (in kWh)	28,015,426	34,088,188	42,397,492	39,197,866
System Loss (in %)	9.11%	9.96%	10.92%	9.48%

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

10. That, as observed, there is a minimal upward adjustment in Applicant's rates resulting in a **1.99%** adjustment including "S" while **negative 3.71%** adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
YEAR 2016	0.00%	3.71%	1.90%	-1.81%	-3.71%
YEAR 2017	0.00%	0.00%	1.90%	1.90%	0.00%
YEAR 2018	0.00%	0.00%	1.90%	1.90%	0.00%
TOTAL				1.99%	-3.71%

11. That, in support of the application, attached herewith in a separate bundle are the following:

As Annex	Document
"C"	- <b>Amended MFSR (Sections B &amp; E) (2014-2017)</b>
"D"	- <b>Amended Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2014-2017)</b>
"E"	- Sample Bills (1 per customer type for the years 2014-2017)
"F"	- Regional CPI for the years 2014-2017
"G"	- RFSC/Reinvestment fund Utilization for the years 2015-2017
"H"	- Consumer Complaints (Summary or tracking form) for the years 2015-2017

**“I”** - Audited Financial Statement (2015-2017)

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

12. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the City of Bogu where Applicant principally operates and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
13. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes “J” and “K”** respectively. Likewise attached hereto as **Annexes “L” and “M”** are the Affidavit of Publication and the newspaper issue containing the published Application;
14. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted 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**

15. 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;
16. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
17. 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;
18. That, the provisional authority thus prayed for would bring forth relief on the financial constraints suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Finance Manager of the Applicant, Snowie R. Cogal, in support of the prayer for provisional authority marked as **Annex “N”**.

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**PRAYER**

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

1. To approve the **amended** proposed Tariff Glide Path "B" Rates (**TGP "B"**) calculated as follows:

Type of Consumer	Particulars	Unit	Provisionally Approved RSEC-Rates	TGP "A" Tariff Glide Path calculation for the first to the third year of the first regulatory period		TGP "B" Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period	
				including S	excluding S	including S	excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6447	0.6048	<b>0.6575</b>	<b>0.5823</b>
	Supply	PhP/kWh	0.6001	0.6691	0.6277	<b>0.6824</b>	<b>0.6044</b>
	Metering	PhP/kWh	0.4326	0.4824	0.4525	<b>0.4919</b>	<b>0.4357</b>
	Metering	PhP/meter/mo	5.00	5.58	5.23	<b>5.69</b>	<b>5.04</b>
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8468	0.7944	<b>0.8637</b>	<b>0.7649</b>
	Supply	PhP/cust/mo	42.92	47.86	44.89	<b>48.81</b>	<b>43.23</b>
	Metering	PhP/meter/mo	35.94	40.07	37.59	<b>40.87</b>	<b>36.20</b>
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	244.94	229.79	<b>249.81</b>	<b>221.25</b>
	Supply	PhP/cust/mo	42.92	47.86	44.89	<b>48.81</b>	<b>43.23</b>
	Metering	PhP/meter/mo	35.94	40.07	37.59	<b>40.87</b>	<b>36.20</b>

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.

Other reliefs, just and equitable under the premises are likewise prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **22 May 2019 (Wednesday) at nine o'clock in the morning (9:00 AM), at CEBECO II's Principal Office at Malingin, Bogo City, Cebu.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

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- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 06<sup>th</sup> day of March 2019 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

LS: JTB/LSP/GLO  
