

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. 2018-033 RC

**AGUSAN DEL SUR
ELECTRIC COOPERATIVE,
INC. (ASELCO),**

Applicant.

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DOCKETED
Date: JUL 06 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 April 2018, Applicant Agusan del Sur Electric Cooperative, Inc. (ASELCO) filed an Application seeking the Commission's approval for the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of provisional authority.

ASELCO alleged the following in its Application:

THE APPLICANT

1. Applicant ASELCO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at San Francisco, Agusan del Sur, Philippines, represented herein by its General Manager, Emmanuel B. Galarse, duly authorized

by virtue of Board Resolution No. 25, series of 2018 dated March 20, 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 aforementioned 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 City of Bayugan and the Municipalities of Sibagat, Esperanza, Talacogon, San Luis, Prosperidad, San Francisco, Rosario, Bunawan, Trento, Sta. Josefa, Veruela, La Paz and Loreto, all in the Province of Agusan del Sur;

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 November 9, 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
Distribution Charges:				
	PhP/Kw			190.03
	PhP/kWh	0.5143	0.5134	
Supply Charges:				
	PhP/cust/mo		41.61	41.61
	PhP/kWh	0.5828		
Metering Charges:				
	PhP/cust/mo	5.00	31.19	31.19
	PhP/kWh	0.3669		

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 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 May 31, 2013, Applicant ASELCO 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. 2013-115 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	0.5143	0.5343	0.5127
	Supply	PhP/kWh	0.5828	0.6054	0.5810
	Metering	PhP/kWh	0.3669	0.3812	0.3657
	Metering	PhP/meter/mo	5.00	5.19	4.98
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5333	0.5118
	Supply	PhP/cust/mo	41.61	43.23	41.48
	Metering	PhP/meter/mo	31.19	32.40	31.09
HIGHER VOLTAGE	Distribution	PhP/kW	190.03	197.41	189.43
	Supply	PhP/cust/mo	41.61	43.23	41.48
	Metering	PhP/meter/mo	31.19	32.40	31.09

9. Pending resolution of ERC Case No. 2013-115RC, on 25 April 2016, Applicant requested the Honorable Commission to allow ASELCO to file an application on the Uniform Filing of Rate (UFR) instead of the Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (TGP "B") which was due for filing on 30 April 2016 considering that upon initial evaluation it will result to a negative/reduction of rates if Performance Incentive ("S") is excluded. A copy of the letter is attached hereto as Annex "B".
10. Recently however, upon further evaluation by Applicant together with the Regulatory Operation Services Department of the Energy Regulatory Commission it was found out that

the filing of the Tariff Glide Path calculation (TGP "B") is advantageous to applicant.

11. Hence, pending resolution of ERC Case No. 2013-115 RC, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (TGP "B") based on the proposed TGP "A" calculation:

PROPOSED TGP "B" CALCULATION

11.a. Index "I" Calculation

11.a.1. CPI Calculation (2013-2016)

Particulars	Average CPI	CPI
YEAR n-1 (2013)	142.4	
YEAR n (2014)	147.9	3.86 %
YEAR n+1 (2015)	155.7	5.27 %
YEAR n+2 (2016)	159.6	2.50 %

11.a.2. Growth Rate Calculation (2013-2016)

Particulars	Total KWh Sales	GR
YEAR n-1 (2013)	119,485,948	
YEAR n (2014)	133,220,335	11.49 %
YEAR n+1 (2015)	165,410,013	24.16 %
YEAR n+2 (2016)	180,739,283	9.27 %

11.b. Efficiency Factor "X" Calculation

11.b.1. Calculation of Man-hours (2013-2016)

Personnel	2013	2014	2015	2016
Regular	403,520	445,120	359,840	457,600
Contractual	14,560	27,040	166,400	128,960
Total Man-hours	418,080	472,160	526,240	586,560

11.b.2. FTE/CPE (2013-2016)

Particulars	2013	2014	2015	2016
TOTAL MANHOURS	418,080	472,160	526,240	586,560
Full time equivalent man hours per year	2080	2080	2080	2080
FTE	201	227	253	282
Total number of billed connections (yearend)	72,013	80,867	90,118	100,214
CPE	358	356	356	355

11.c. Performance Incentive “S” Calculation

11.c.1. SAIDI Calculation (2014-2016)

	2014	2015	2016
Customer Minutes Affected	18,496,544	22,282,917	26,185,527
No. of Billed Customers	76,223	86,525	95,704
SAIDI	242.66	257.53	273.61

11.c.2. SAIFI Calculation (2014-2016)

	2014	2015	2016
Customers Affected	779,033	708,196	1,069,640
Customers served	76,223	86,525	95,704
SAIFI	10.22	8.18	11.18

11.c.3. SL Calculation (2014-2016)

MWH	2014	2015	2016
kWh Purchased	149,102,323	181,645,950	198,279,628
kWh Sold	133,220,335	165,410,013	180,739,283
System Loss (in kWh)	15,881,988	16,235,937	17,540,345
System Loss (in %)	10.65 %	8.94 %	8.85 %

Details of the aforementioned calculations are provided and contained in Annex “C” hereof.

12. That, as observed, there is a minimal upward adjustment in Applicant’s rates resulting in a **6.50%** adjustment including “S” and **0.00%** adjustment excluding “S” on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
YEAR 2014	0.00 %	0.00 %	1.90 %	1.90 %	0.00 %
YEAR 2015	0.00 %	0.00 %	2.50 %	2.50 %	0.00 %
YEAR 2016	0.00 %	0.00 %	2.10 %	2.10 %	0.00 %
TOTAL				6.50 %	0.00 %

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

As Annex Document
 “D” - MFSR (Sections B & E) (2012-2016)

- “E” - Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2012-2015))
- “F” - Sample Bills (1 per customer type for the years 2012-2015)
- “G” - Regional CPI for the years 2012-2015
- “H” - RFSC/Reinvestment fund Utilization for the years 2013-2015
- “I” - Consumer Complaints (Summary or tracking form) for the years 2013-2015
- “J” - Audited Financial Statement (2013-2015)

**COMPLIANCE
WITH PRE-FILING REQUIREMENTS**

14. 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 Municipality of San Francisco where Applicant principally operates and the Legislative Body of the Province of Agusan del Sur. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
15. 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 “K” and “L”** respectively. Likewise attached hereto as **Annexes “M” and “N”** are the Affidavit of Publication and the newspaper issue containing the published Application;

APPLICATION FOR PROVISIONAL AUTHORITY

16. 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;
17. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
18. 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;

19. 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 Technical Audit Division Chief of Applicant, Randy R. Zapanta, in support of the prayer for provisional authority marked as **Annex "O"**.

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 "B" Rates (**TGP "B"**) calculated as follows:

Type of Consumer	Particulars	Unit	TGP "A"		TGP "B"	
			Tariff Glide Path calculation for the first to the third year of the first regulatory period (in PhP/kWh)		Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (in PhP/kWh)	
			including S	excluding S	including S	excluding S
Residential	Distribution	PhP/kWh	0.5343	0.5127	0.5690	0.5127
	Supply	PhP/kWh	0.6054	0.5810	0.6448	0.5810
	Metering	PhP/kWh	0.3812	0.3657	0.4059	0.3657
	Metering	PhP/meter/mo	5.19	4.98	5.53	4.98
LOW VOLTAGE	Distribution	PhP/kWh	0.5333	0.5118	0.5680	0.5118
	Supply	PhP/cust/mo	43.23	41.48	46.04	41.48
	Metering	PhP/meter/mo	32.40	31.09	34.51	31.09
HIGHER VOLTAGE	Distribution	PhP/kW	197.41	189.43	210.24	189.43
	Supply	PhP/cust/mo	43.23	41.48	46.04	41.48
	Metering	PhP/meter/mo	32.40	31.09	34.51	31.09

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 **15 August 2018 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at ASELCO's Main Office in San Francisco, Agusan del Sur.**

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:

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:

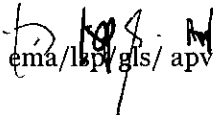
1. The name and address of such person;
2. A concise statement of the Opposition or Comment; and
3. The grounds relied upon.

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.

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WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 19th day of June 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


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