

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR THE APPROVAL  
OF ADJUSTMENT IN RATES  
PURSUANT TO THE TARIFF GLIDE  
PATH (TGP) RULES, WITH PRAYER  
FOR PROVISIONAL AUTHORITY**

**ERC CASE NO. 2013-103 RC**

**LEYTE II ELECTRIC COOPERATIVE,  
INC. (LEYECO II),**

**Applicant.**

x-----x

**DOCKED**  
Date: SEP 02 2015

-----

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on May 16, 2013, Leyte II Electric Cooperative, Inc. (LEYECO II) filed an application for the approval of its adjustment in rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

In the said application, LEYECO II alleged, among others, that:

1. It is a non-stock, non-profit electric cooperative (EC) duly organized and existing under and by virtue of the Presidential Decree No. 269 (PD No. 269), as amended, with principal office located at LEYECO II Building, Real Street, Sagkahan District, Tacloban City, Leyte;
2. It is the exclusive franchise holder, issued by the National Electrification Administration (NEA), to operate an electric light and power services in the City of Tacloban and the Municipalities Palo and Babatngon, all in the Province of Leyte;

3. Sometime in the year 2009, it filed an application for the approval of its proposed adjustment in rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
4. The Commission approved the said application where it was granted the following tariffs on its Distribution, Supply and Metering (DSM) Charges:

Customer Type	Units	Rate		
		Distribution	Supply	Metering
Residential	PhP/kWh	0.2748	0.4140	0.3460
	PhP/Meter/Mo.			5.00
Low Voltage	PhP/kWh	0.3748		
	PhP/Customer/Mo		59.73	54.92
Higher Voltage	PhP/kW	118.55		
	PhP/Customer/Mo.		59.73	54.92

5. RSEC-WR was promulgated by the Commission by virtue of an authority granted under Sections 35 and 43 (f) of Republic Act No. 9136 (R.A. No. 9136);
6. On May 2, 2011, the Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article VII 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:

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

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;

7. The TGP Rules prescribe the methodology, the regulatory process and timeline that the Commission shall undertake in the full implementation of Article VII of RSEC-WR. It 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;
8. Under the TGP, the regulatory period is six (6) years for each entry group. For the First Entrant Group, the first Regulatory Period is from January 1, 2011 to December 31, 2016. It belongs to the First Entrant Group;
9. Further under the TGP Rules, the concerned EC shall use the following formula in determining its TGP for the first to third years of the Regulatory Period:

$$\text{TGPA} = \text{TGP}_n + \text{TGP}_{n+1} + \text{TGP}_{n+2}$$

Where:

$$\begin{aligned} \text{TGP}_n &= I_n - X_n + S_n \\ n &= \text{the first year of the Regulatory Period and} \\ &\quad \text{succeeding Regulatory Periods} \end{aligned}$$

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;

10. In applying the methodology embodied in the TGP Rules, it has determined that the values of "I", "X" and "S" and applied the same on the formula above, as follows:

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

11. The calculations applying the foregoing formula resulted in the following rate adjustment on its DSM rates:

Year	"I"	"X"	"S"	TGP A	TGP A (Excluding "S")
2010	0.00%	0.00%	1.50%	1.50%	0.00%
2011	2.07%	0.00%	1.90%	3.97%	2.07%
2012	0.00%	0.00%	2.10%	2.10%	0.00%
Net Results	-	-	-	7.57%	2.07%

12. Shown below is the result in the adjustment in its rates using its calculated TGP:

A. With Performance Incentive "S"

Customer Type	Units	Rate		
		Distribution	Supply	Metering
Residential	PhP/kWh	0.2956	0.4453	0.3722
	PhP/Meter/Mo	-	-	5.38
Low Voltage	PhP/kWh	0.4032	-	-
	PhP/Customer/Mo	-	64.25	59.08
Higher Voltage	PhP/kW	127.52	-	-
	PhP/Customer/Mo	-	64.25	59.08

B. Excluding Performance Incentive "S"

Customer Type	Units	Rate		
		Distribution	Supply	Metering
Residential	PhP/kWh	0.2805	0.4226	0.3532
	PhP/Meter/Mo.	-	-	5.10
Low Voltage	PhP/kWh	0.3826	-	-
	PhP/Customer/Mo	-	60.97	56.06
Higher Voltage	PhP/Kw	121.00	-	-
	PhP/Customer/Mo.	-	60.97	56.06

13. It submitted the following documents in support of the instant application:

- a) Proposed TGP Calculations and supporting documents using the prescribed templates:
  - i) Index "I" Calculation;
  - ii) Efficiency Factor "X" Calculation; and
  - iii) Performance Incentive "S" Calculation;

- b) MFSR (Sections B and E);
  - c) Billing Determinants Template (kWh Sales, No. of Customers, kW Demand);
  - d) Sample Bills (per customer type);
  - e) Regional CPI;
  - f) RFSC/Reinvestment Fund Utilization;
  - g) Consumer Complaints (Summary or Tracking form); and
  - h) Audited Financial Statements;
14. Based on the computation stated above, the values where Performance Incentive "S" was excluded resulted to lower DSM rate values compared to the other computation which included the Performance Incentive "S". Moreover, both DSM computations using the formula under TGP Rules are higher than the initial tariffs on DSM granted by the Commission;
15. It complied with the pre-filing requirements of the Commission; and
16. It prays that pending trial and evaluation of the instant application, a provisional authority be issued authorizing it to implement either of the two (2) alternative proposed new rates for its DSM Charges, starting January 2014 and up to the next regulatory reset, and after due notice and hearing, that the same be permanently granted.

In summary, the two (2) alternative proposed new DSM rates are as follows:

Type Of Customer	Particulars	Unit	Alternative (1) Rate @ 1 <sup>ST</sup> TGP Adjustment with Performance Incentive "S"	Alternative (2) Rate @ 1 <sup>ST</sup> TGP Adjustment Excluding Performance Incentive "S"
Residential	Distribution	PhP/kWh	0.2956	0.2805
	Supply	PhP/kWh	0.4453	0.4226
	Metering	PhP/kWh	0.3722	0.3532
	Metering	PhP/meter/mo	5.38	5.10
Low Voltage	Distribution	PhP/kWh	0.4032	0.3826
	Supply	PhP/cust/mo	64.25	60.97
	Metering	PhP/meter/mo	59.08	56.06
Higher Voltage	Distribution	PhP/kWh	127.52	121.00
	Supply	PhP/cust/mo	64.25	60.97
	Metering	PhP/meter/mo	59.08	56.06

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 28, 2015 (Monday) at nine o'clock in the morning (9:00 A.M.) at the LEYECO II's Main Office, Real St., Sagkahan District, Tacloban City, Leyte.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and the title of the proceeding and stating: (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 proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with copy of the application. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 17<sup>th</sup> day of August 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
REMIGIO/NJS