

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. 2013-193 RC

**LEYTE V ELECTRIC
COOPERATIVE, INC. (LEYECO V),
Applicant.**

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DOCK E T E D
Date: SEP 02 2015
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on September 27, 2013, the Leyte V Electric Cooperative, Inc. (LEYECO V) 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 V alleged, among others, that:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Brgy. San Pablo, Ormoc City, Leyte;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of Ormoc, and the municipalities of Albuera, Kananga, Matag-ob, Villaba, Tabango, San Isidro, Calubian, Leyte, Palompon, Isabel, and Merida, all in the Province of Leyte;

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	219.6800
Distribution System Charge	PhP/kWh	0.5782	0.7595	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		42.9200	42.9200
Supply System Charge	PhP/kWh	0.6001	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	35.9400	35.9400
Metering System Charge	PhP/kWh	0.4326	-	-

5. On May 2, 2011, the Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 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, to wit:

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

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.

6. The TGP 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.
7. 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. LEYECO V belongs to the First Entrant Group.
8. Further under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the first to third years of the Regulatory Period, to wit:

$$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2} \text{ where}$$

$$TGP_n = I_n - X_n + S_n$$

n= the first year of the Regulatory Period and succeeding Regulatory Periods

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 the starting on the Fourth Year of the current Regulatory Period.

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

Particular	"I"	"X"	"S"	TGP A	TGP A (Excluding "S")
Year 2010	0.00%	0.00%	0.50%	0.50%	0.00%
Year 2011	0.00%	0.00%	0.70%	0.70%	0.00%
Year 2012	0.00%	0.00%	0.30%	0.30%	0.00%
Net Results				1.50%	0.00%

10. Applying the above values resulted in adjustments on LEYECO V's DSM Rates, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	222.98
Distribution System Charge	PhP/kWh	0.5869	0.7709	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.	-	43.56	43.56
Supply System Charge	PhP/kWh	0.6091	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.08	36.48	36.48
Metering System Charge	PhP/kWh	0.4391	-	-

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	219.68
Distribution System Charge	PhP/kWh	0.5782	0.7595	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.	-	42.92	42.92
Supply System Charge	PhP/kWh	0.6001	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	35.94	35.94
Metering System Charge	PhP/kWh	0.4326	-	-

11. Consequently, it respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally during the pendency of the instant application or permanently by virtue of a final decision, starting January 2014, and up to the next regulatory reset;
12. In support of the foregoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex No.	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)
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
H	Audited Financial Statements

13. 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 of the instant application:

Annex No.	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Ormoc City and Sangguniang Panlalawigan of Leyte
K to K-2	Publication of the Application in a newspaper of general circulation in LEYECO V's franchise area or where it principally operates, with Affidavit of publication

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 29, 2015 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at the LEYECO V's Main Office, Brgy. San Pablo, Ormoc City.**

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 17th day of August 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III


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