

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



**IN THE MATTER OF THE  
APPLICATION OF A RATE  
ADJUSTMENT IN  
ACCORDANCE WITH THE  
RULES GOVERNING THE  
TARIFF GLIDE PATH  
PURSUANT TO ARTICLE VII  
OF THE RULES FOR SETTING  
THE RURAL ELECTRIC  
COOPERATIVE'S WHEELING  
RATES (RSEC-WR),**

**ERC CASE NO. 2017-032 RC**

**ZAMBALES II ELECTRIC  
COOPERATIVE, INC.  
(ZAMECO II),**

**Applicant.**

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**D O C K E T E D**  
Date: NOV 23 2017  
By: M

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 25 April 2017, Zambales II Electric Cooperative, Inc. (ZAMECO II) filed an *Application* dated 17 April 2017 (Application) for the approval of rate adjustment in accordance with the rules governing Tariff Glide Path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperative's Wheeling Rates (RSEC-WR).

In its *Application*, ZAMECO II alleged the following:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Barangay Magsaysay, Castillejos, Zambales, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. ALVIN M. FARRALES, of legal age, Filipino, and with office address also at ZAMECO II main office;

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2. That herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of the province of Zambales, namely: Cabangan, Castillejos, San Antonio, San Felipe, San Marcelino, San Narciso, and Subic;
3. That pursuant to Article 7 (Tariff Glide Path) of the RSEC-WR, the Energy Regulatory Commission (ERC) issued, adopted and promulgated the Rules Governing the Movement of the Initial Tariffs to the Tariff Caps during the Regulatory Period. The tariff glide path will be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index "I"} - \text{Efficiency Factor "x"} + \text{Performance Incentive "S"}]$$

- a. The Index, "I", shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load growth.
  - b. There shall be an efficiency factor, "X", to account for the operational efficiency of the EC's in setting their rates.
  - c. There shall be a performance incentive, "S", which shall reward or penalize the EC for above or below standard performance, respectively.
4. Based on the Rules on Tariff Glide Path promulgated by the Honorable Commission, Index "I" was computed by ZAMECO II as follows:

Particulars	Average CPI	ΔCPI	Total KWh Sales	GR	difference	"I"
YEAR n-1 (2014)	135.40		107,422,959			
YEAR n (2015)	140.30	3.62%	110,794,037	3.14%	0.48%	0.48%
YEAR n+1 (2016)	142.10	1.28%	122,384,830	10.46%	-9.18%	0.00%
YEAR n+2 (2017)	145.20	2.18%	135,854,768	11.01%	-8.82%	0.00%

5. Likewise, ZAMECO II calculated the Efficiency Factor "X" as follows:

Particulars	Total Man Hours			
	2014	2015	2016	2017
Regular employees	433,766	421,526	448,465	444,305
Contractual Employees	151,334	155,303	214,850	238,396
<b>TOTAL</b>	<b>585,100</b>	<b>576,829</b>	<b>663,315</b>	<b>682,701</b>
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	281	277	319	328
Total number of billed connections (year end)	64,378	66,773	70,168	72,913
CPE	229	241	220	222

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6. Finally, the Performance Incentive "S" was determined as follows:

YEAR 2015	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	13.37	399.03	12.30	
DIFFERENCE	10.34	1,797.83	0.70	
% impact	1.00%	2.00%	1.50%	

YEAR 2016	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	10.28	318.15	11.60	
DIFFERENCE	13.43	1,878.71	1.40	
% impact	1.00%	2.00%	2.50%	

YEAR 2017	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	14.01	407.55	11.44	
DIFFERENCE	9.70	1,789.31	1.56	
% impact	1.00%	2.00%	2.50%	

7. Summarizing the above Index "I", Efficiency Factor "X" and Performance Incentive "S", the resultant TGP is as follows:

Regulatory Year	"I"	"X"	"S"	TGP B	TGP B (excluding S)
YEAR 2015	0.48%	3.65%	1.50%	-1.66%	-3.16%
YEAR 2016	0.00%	0.00%	1.70%	1.70%	0.00%
YEAR 2017	0.00%	0.67%	1.70%	1.03%	-0.67%
TOTAL				1.06%	-3.84%

8. Using the calculated TGP above, the adjustment in rates resulted as follows, to wit:

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Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5143	0.5817	0.5555	0.5879	0.5342
	Supply	PhP/kWh	0.5828	0.6592	0.6295	0.6662	0.6053
	Metering	PhP/kWh	0.3669	0.4150	0.3963	0.4194	0.3811
	Metering	PhP/meter/mo	5.00	5.66	5.40	5.72	5.19
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545	0.5869	0.5332
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39
HIGHER VOLTAGE	Distribution	PhP/kWh	190.03	214.94	205.25	217.22	197.37
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39

9. The above computations were made based on the guideline issued by the Honorable Commission, more specifically the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR); and
10. That as part and parcel of this Application, attached hereto are the detailed computations of the TGP, with supporting documents, duly marked as Annex "A".

**PRAYER**

**WHEREFORE**, premises considered, applicant Zambales II Electric Cooperative, Inc. (ZAMECO II) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this application be approved and authorizing ZAMECO II to include in its bills to customers the following Tariff Glide Path:

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5143	0.5817	0.5555	0.5879	0.5342
	Supply	PhP/kWh	0.5828	0.6592	0.6295	0.6662	0.6053
	Metering	PhP/kWh	0.3669	0.4150	0.3963	0.4194	0.3811
	Metering	PhP/meter/mo	5.00	5.66	5.40	5.72	5.19
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545	0.5869	0.5332
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39
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	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39

Other relief, just or equitable, is likewise prayed for.

Finding the Application sufficient in substance, the Commission issued an Order and Notice of Public Hearing setting the case for hearing on 28 November 2017. However, on 10 November 2017, ZAMECO II filed a *Motion to Reset Hearing* (Motion) due to the lack of material time to fully comply with the jurisdictional requirements as directed by the Commission.

Finding the *Motion* in order, the same is hereby **GRANTED**.

Accordingly, the Commission has set the *Application* for determination of compliance with jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on **25 January 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at ZAMECO II's Main Office in Barangay Magsaysay, Castillejos, Zambales.**

All persons who have 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 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 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 Officer-in-Charge (OIC) Chairman and CEO **ALFREDO J. NON**, and Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 20<sup>th</sup> day of November 2017 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS: MYM/IST/APV