

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADJUSTMENT IN RATES
COVERING THE FIRST TO
THIRD REGULATORY
YEARS OF THE SECOND
REGULATORY PERIOD FOR
THE SECOND ENTRANT
GROUP UNDER THE
TARIFF GLIDE PATH (TGP)
RULES, WITH MOTION FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2017-062 RC

**NUEVA ECIJA II AREA 1
ELECTRIC COOPERATIVE,
INC. (NEECO II-AREA 1),
Applicant.
X-----X**

D O C K E T E D
Date: DEC 28 2017
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 27 June 2017, Nueva Ecija II-Area 1 Electric Cooperative, Inc. (NEECO II-Area 1) filed an *Application* dated 20 June 2017 (Application) seeking the Commission's approval of adjustment in rates covering the first to third regulatory years of the second regulatory period for the second entrant group under the Tariff Glide Path (TGP) Rules, with Motion for Provisional Authority.

NEECO II-Area 1 alleged the following in its *Application*:

1. That Applicant NEECO II-AREA 1 is a non-stock, non-profit electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal main office address at Calipahan, Talavera, Nueva Ecija, where it may be served with summons and other legal processes, represented in this instance by its OIC-General Manager, ENGR. NELSON M. DELA CRUZ, of legal

ERC CASE NO. 2017-062 RC
NOTICE OF PUBLIC HEARING/13 December 2017
PAGE 2 OF 6

age, Filipino and with office address also at NEECO II-Area 1 Main Office;

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 Nueva Ecija, namely: Talavera, Lupao, Carranglan, Aliaga, Quezon, Licab, Sto Domingo, Science City of Munoz, Guimba, and Talugtug;
3. That pursuant to Article VII Tariff Glide Path of the RSEC-WR, the Honorable Commission issued, adopted and promulgated the Rules Governing the Movement of the Initial Tariffs of the Tariff Caps during the Regulatory Period. Under these Rules, the Tariff Glide Path (TGP) will be determined by the following formula:

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

Where:

- 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, and;
- c. There shall be a performance incentive, "S", which shall reward or penalize the EC's for above or below standard performance, respectively.
4. Based on the Rules of the Tariff Glide Path promulgated by the Honorable Commission, the Index "I" was computed by NEECO II-Area 1 as follows;

Particulars	Average CPI	Δ CPI	Total KWh Sales	GR	difference	"I"
YEAR n-1 (2014)	135.40		128,318,301.70			
YEAR n (2015)	140.30	3.62%	139,148,420.00	8.44%	-4.82%	0.00%
YEAR n+1 (2016)	142.10	1.28%	152,532,962.50	9.62%	-8.34%	0.00%
YEAR n+2 (2017)	145.20	2.18%	179,083,340.70	17.41%	-15.22%	0.00%

5. Likewise, NEECO II-Area 1 calculated the Efficiency Factor "X" as follows:

YEAR: n-1 (2014)

Particulars	Total Man Hours
Regular employees	495,189
Contractual Employees	201,642
TOTAL	696,830
Full time equivalent man hours per year	2,080
FTE	335
Total number of billed connections (year end)	100,268
CPE	299

"X"

ERC CASE NO. 2017-062 RC
NOTICE OF PUBLIC HEARING/13 December 2017
PAGE 3 OF 6

YEAR: n (2015)

Particulars	Total Man Hours
Regular employees	468,456
Contractual Employees	186,635
TOTAL	655,090
Full time equivalent man hours per year	2,080
FTE	315
Total number of billed connections (year end)	105,445
CPE	335

8.30%

YEAR: n+1 (2016)

Particulars	Total Man Hours
Regular employees	452,277
Contractual Employees	193,078
TOTAL	645,356
Full time equivalent man hours per year	2,080
FTE	310
Total number of billed connections (year end)	109,757
CPE	354

3.96%

YEAR: n+2 (2017)

Particulars	Total Man Hours
Regular employees	491,391
Contractual Employees	219,873
TOTAL	711,264
Full time equivalent man hours per year	2,080
FTE	342
Total number of billed connections (year end)	114,580
CPE	335

-3.70%

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	15.12	1,577.85	10.97		
DIFFERENCE	8.59	619.01	2.03		
% impact	1.00%	0.00%	3.50%		1.10%

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	19.64	1,745.48	10.53		
DIFFERENCE	4.07	451.38	2.47		
% impact	0.00%	0.00%	3.50%		0.70%

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	12.39	1,008.75	9.31		
DIFFERENCE	11.32	1,188.11	3.69		
% impact	1.00%	1.00%	3.50%		1.50%

ERC CASE NO. 2017-062 RC
NOTICE OF PUBLIC HEARING/13 December 2017
PAGE 4 OF 6

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

	"I"	"X"	"S"	TGP B	TGP B (excluding S)
YEAR 2015	0.00%	8.30%	1.10%	-7.20%	-8.30%
YEAR 2016	0.00%	3.96%	0.70%	-3.26%	-3.96%
YEAR 2017	0.00%	0.00%	1.50%	1.50%	0.00%
TOTAL				-8.97%	-12.27%

8. The above computations and calculations were made in accordance with the guidelines issued by the Honorable Commission, more specifically to the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), and;
9. That as part and parcel of this Application, attached hereto are the detailed computations of the TGP, with supporting documents, duly marked as Annexes A, A1, A2, and A3.

PRAYER

WHEREFORE, premises considered, Applicant Nueva Ecija II Electric Cooperative, Inc.-Area 1 (NEECO II-Area 1) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this Application be approved and authorizing NEECO II-Area 1 to include in its electric billings to the customers the rate at Second (2nd) Tariff Glide Path adjustment in Php/kWh, either including or excluding the Performance Incentive "S", as follows:

A. WITH PERFORMANCE INCENTIVE "S"

Particulars	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			211.61
Distribution System Charge	PhP/kWh	0.5570	0.7316	
Supply Charges:				
Retail Customer Charge	PhP/cust/mo		41.34	41.34
Supply System Charge	PhP/kWh	0.5781		
Metering Charges:				
Retail Customer Charge	PhP/meter/mo	4.82	34.62	34.62
Metering System Charge	PhP/kWh	0.4167		

ERC CASE NO. 2017-062 RC
NOTICE OF PUBLIC HEARING/13 December 2017
PAGE 5 OF 6

B. EXCLUDING PERFORMANCE INCENTIVE "S"

Particulars	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			197.96
Distribution System Charge	PhP/kWh	0.5210	0.6844	
Supply Charges:				
Retail Customer Charge	PhP/cust/mo		38.68	38.68
Supply System Charge	PhP/kWh	0.5408		
Metering Charges:				
Retail Customer Charge	PhP/meter/mo	4.51	32.39	32.39
Metering System Charge	PhP/kWh	0.3898		

Other relief, just and equitable, is 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 **18 January 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at NEECO II-Area 1's principal office in Brgy. Malapit, San Isidro, Province of Nueva Ecija.**

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 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:

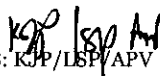
- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

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 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 13th day of December 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: KJP/LSP/APV