

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



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

ERC CASE NO. 2014 -067 RC

**PANGASINAN III ELECTRIC
COOPERATIVE, INC.
(PANELCO III),**

Applicant.

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D O C K E T E D
Date: FEB 10 2014
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 27 May 2014, the Pangasinan III Electric Cooperative Inc. (PANELCO III) filed an *Application* for approval of adjustment in rates pursuant to the tariff glide path (TGP) rules, with prayer for provisional authority.

PANELCO III alleged the following in its *Application*:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution services in the Sixteen (16) municipalities, namely the Municipalities of Asingan, Balungao, Binalonan, Laoac, Mapandan, Natividad, Pozorrubio, Rosales, San Manuel, San Nicolas, San Quintin, Sta. Maria, Sto. Tomas, Tayug, Umingan, Villasis; One (1) city namely; Urdaneta City and Barangay Inamotan of Manaoag in the province of Pangasinan;

3. Sometime in 2009, PANELCO III filed with the Honorable Commission 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. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the following initial tariffs of its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CURRENT RATES		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 Honorable 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:

Tariff x (1+ index "I"-Efficiency Factor "X" + 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 every three (3) years. The rate adjustment 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 Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. PANELCO III belongs to the Second 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 starting on the Fourth Year of the current Regulatory Period.

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

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2012	3.87%	0.00%	1.60%	5.47%	3.87%
YEAR 2013	0.00%	0.00%	1.60%	1.60%	0.00%
YEAR 2014	0.00%	5.81%	2.00%	-3.81%	-5.81%
TOTAL				3.26%	-1.94%

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

TGP-A		Residential	Low Voltage	Higher Voltage
DISTRIBUTION CHARGES				
Demand Charge	PhP/kW			226.8400
Distribution System Charge	PhP/kWh	0.5971	0.7843	
SUPPLY CHARGES				
Retail Customer Charge	PhP/Customer/Mo		44.3200	44.3200
Supply System Charge	PhP/kWh	0.6197		
METERING CHARGES				
Retail Customer Charge	PhP/Meter/Mo	5.1600	37.1100	37.1100
Metering System Charge	PhP/kWh	0.4467		

TGP-A		Residential	Low Voltage	Higher Voltage
DISTRIBUTION CHARGES				
Demand Charge	PhP/kW			215.4200
Distribution System Charge	PhP/kWh	0.5670	0.7448	
SUPPLY CHARGES				
Retail Customer Charge	PhP/Customer/ Mo		42.0900	42.0900
Supply System Charge	PhP/kWh	0.5885		
METERING CHARGES				
Retail Customer Charge	PhP/Meter/Mo	4.9000	35.2400	35.2400
Metering System Charge	PhP/kWh	0.4242		

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally or permanently, starting January 2015, and up to the next regulatory reset;
12. In support of the forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
 - A. TGP Calculations
 - a.1 Index "I" Calculation
 - a.2 Efficiency Factor "X" Calculation
 - a.3 Performance Incentive "S" Calculation
 - B. Other Documents
 - b.1 MFSR Sec. B & E
 - b.2 Billing Determinants
 - b.3 Sample Bills
 - b.4 Regional CPI
 - b.5 RFSC/Reinvestment Fund Utilization
 - b.6 Summary of Consumer Complaints
 - b.7 Audited Financial Statements

P R A Y E R

WHEREFORE, premises considered, Applicant Pangasinan III Electric Cooperative (PANELCO III) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this Application be approved and authorize PANELCO III to include in its electric billings to its customers the rate at First (1st) Tariff Glide Path adjustment in Php/kwh, either including or excluding the Performance Incentive "S".

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5971	0.5670
	Supply	PhP/kWh	0.6197	0.5885
	Metering	PhP/kWh	0.4467	0.4242
	Metering	PhP/meter/mo	5.16	4.90
LOW VOLTAGE	Distribution	PhP/kWh	0.7843	0.7448
	Supply	PhP/cust/mo	44.32	42.09
	Metering	PhP/meter/mo	37.11	35.24
HIGHER VOLTAGE	Distribution	PhP/kW	226.84	215.42
	Supply	PhP/cust/mo	44.32	42.09
	Metering	PhP/meter/mo	37.11	35.24

It further prays that herein Applicant be provisionally authorized to implement the above Tariff Glide Path rates pending hearing and final evaluation of the Application by the Honorable Commission.

Other relief/s just and equitable in 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 **06 April 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at PANELCO III's principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan.**

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:

- i. The petitioner's name and address;
- ii. 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
- iii. 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 rest 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 Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 01st day of February 2017 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO