

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 RULES (TGP),  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2014 -101 RC**

**LA UNION ELECTRIC  
COOPERATIVE, INC.  
(LUELCO),**

**Applicant.**

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**D O C K E T E D**  
Date: JAN 30 2017  
By: [Signature]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 01 July 2014, La Union Electric Cooperative, Inc. (LUELCO) filed an Application seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with Prayer for Provisional Authority.

LUELCO alleged the following in its Application:

1. Applicant is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Brgy. Sta. Rita East, Aringay, La Union;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of San Fernando and all municipalities in the Province of La Union, namely: Agoo, Aringay, Bacnotan, Bagulin, Balaoan, Bangar, Bauang, Burgos, Caba, Luna, Naguilian, Pugo, Rosario, Sto. Tomas, Tubao, San Gabriel, San Juan, Santol and Sudipen, and the municipality of Sison in the Province of Pangasinan.

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3. Sometime in 2009, LUELCO filed with the Honorable Commission an application for approval of its proposed adjustment in 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 on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CUSTOMER TYPE	UNITS	RATE		
		DISTRIBUTION	SUPPLY	METERING
Residential	PhP/kWh	0.5782	0.6001	0.4326
	PhP/Meter/Mo.			5.00
Low Voltage	PhP/kWh	0.7595		
	PhP/Customer/Mo		42.92	
	PhP/Meter/Mo.			35.94
Higher Voltage	PhP/Kw	219.68		
	PhP/Customer/Mo.		42.92	
	PhP/Meter/Mo.			35.94

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:

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

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.

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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 Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. LUELCO 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 their 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, LUELCO 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	3.10%	0.00%	2.70%	5.80%	3.10%
Year 2013	0.00%	0.00%	2.10%	2.10%	0.00%
Year 2014	0.00%	5.28%	2.70%	-2.58%	-5.28%
Net Results				5.32%	-2.18%

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

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**A. WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.37
Distribution System Charge	PhP/kWh	0.6090	0.7999	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.20	45.20
Supply System Charge	PhP/kWh	0.6320		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.27	37.85	37.85
Metering System Charge	PhP/kWh	0.4556		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.89
Distribution System Charge	PhP/kWh	0.5656	0.7429	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.98	41.98
Supply System Charge	PhP/kWh	0.5870		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.89	35.16	35.16
Metering System Charge	PhP/kWh	0.4232		

11. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates to be made effective starting January 2015 and up to December 31, 2017;

12. In support of the foregoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:

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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	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample bills per customer type (2010-2013)
E	Regional CPI (2010-2013)
F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Summary or Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2013)

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 hereof, to wit:

Annex No.	Nature of Document
I	Judicial Affidavit in Support of the Prayer for Provisional Authority

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J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Aringay and Sangguniang Panlalawigan of La Union
K to K-2	Publication of the Application in a newspaper of general circulation in LUELCO's franchise area or where it principally operates, with Affidavit of Publication

14. It most respectfully prayed that pending evaluation of the instant application or after due notice and hearing, as the case may be, LUELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 1, 2015 and up to December 31, 2017, to wit:

**A. WITH PERFORMANCE INCENTIVE "S"**

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.37
Distribution System Charge	PhP/kWh	0.6090	0.7999	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.20	45.20
Supply System Charge	PhP/kWh	0.6320		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.27	37.85	37.85
Metering System Charge	PhP/kWh	0.4556		

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.89
Distribution System Charge	PhP/kWh	0.5656	0.7429	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.98	41.98
Supply System Charge	PhP/kWh	0.5870		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.89	35.16	35.16
Metering System Charge	PhP/kWh	0.4232		

Other reliefs, 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 **4 April 2017 at nine o'clock in the morning (9:00 A.M.), at LUELCO's principal office at Sta. Rita East, Aringay, La Union.**

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:

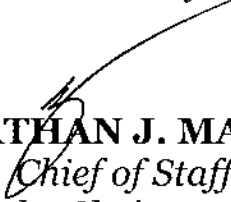
- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

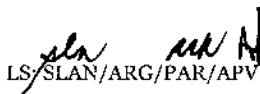
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 90f of the 2006 Rules of Practice and Procedure. 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 it 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 **GERONI MO D. STA. ANA**, Energy Regulatory Commission, this 17<sup>th</sup> day of January 2017 at Pasig City.

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

  
LS/SLAN/ARG/PAR/APV