

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE TARIFF
RATE ADJUSTMENT IN
ACCORDANCE WITH THE
RULES FOR SETTING THE
ELECTRIC COOPERATIVES
WHEELING RATES (RSEC-
WR), WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2015 -085 RC

**NORTHERN NEGROS
ELECTRIC COOPERATIVE,
INC. (NONECO),**

Applicant.

X-----X

D O C K E T E D
Date: **FEB 03 2017**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 April 2015, Northern Negros Electric Cooperative, Inc. (NONECO) filed an Application seeking the Commission's approval of its tariff rate adjustment in accordance with the Rules for Setting the Electric Cooperatives Wheeling Rates (RSEC-WR), with prayer for a provisional authority.

NONECO alleged the following in its Application:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Barangay Tortosa, Manapla, Negros Occidental. It has an exclusive franchise to distribute electric service in the cities of Victorias, Cadiz, Sagay, Escalante, San Carlos and the municipality of E.B. Magalona, Manapla, Toboso and Calatrava, all in the province of Negros Occidental. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.

2. Section 25 of the Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), provides that the retail rates charged by the Distribution Utilities (DUs) for

the supply of their electricity in their captive market shall be subject to regulation by the Energy Regulatory Commission (ERC) based on the principle of full recovery of prudent and reasonable economic costs incurred or such other principles that will promote efficiency as may be determined by this Honorable Commission.

3. On 23 September 2009, the Honorable Commission promulgated its Resolution No. 20, Series of 2009, entitled, "*A Resolution Adopting the Rules for Setting the Electric Cooperative's Wheeling Rates.*"¹ The said Rules embodied the new regulatory framework for Electric Cooperative ("EC") such as herein Applicant, and is designed to develop a more responsive tariff setting methodology for EC, encourage reforms in the structure and operations of ECs for greater efficiency and lower costs, and introduces a framework that allows efficiency gains to be shared between the EC and the end-users.

4. As part of the new regulatory framework introduced by the RSEC-WR is the concept of the Tariff Glide Path ("TGP"). Article VII of the RSEC-WR provides for a Tariff Glide Path whereby, during a Regulatory Period, EC may file for a rate adjustment using the formula and parameters provided by the Honorable Commission. Accordingly, for the TGP to be fully implemented, the ERC, in consultation with the stakeholders, promulgated Resolution No. 08, Series of 2011, entitled "*A Resolution Adopting the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperative's Wheeling Rates.*"² Under said Rules, the EC may file before the Honorable Commission for a rate adjustment of the initial tariff caps in accordance thereof. Basically, TGP is considered as a cap, where EC may ask for positive rate adjustment (up to the cap), or a reduction in current rate if the cap is lower than the current average tariff.³

5. Upon implementation of RSEC-WR, there had been a migration from the EC's Current Tariff Structure to a New Tariff Structure. Notably, prior to RSEC-WR, the ECs charges are composed of Distribution, Supply and Metering (DSM) which were determined using its operation and maintenance expenses, capital expenditures and debt service. However, in the tariff structure under the RSEC-WR, there was unbundling of operating costs into (1) Distribution, Supply and Metering Charges (DSM); and (2) Member's Contribution for Capital Expenditures (MCC) which would be allocated for EC's debt servicing and its capital expenditures requirements.

6. In the implementation of the new tariff structure, the ECs were classified into seven (7) groups using set of variables as provided in the same Rules. Each group was then assigned an Initial Tariff Cap composed of: (1) Distribution, Supply and Metering Rate Caps or DSM Rate; and (2) Member's Contribution for Capital Expenditure Rate Cap or Capital Expenditure Rate. The

¹ Also known as the RSEC-WR.

² Also known as the TGP Rules.

³ Article 7, RSEC-WR.

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said Initial Tariff Cap is subject to adjustments in accordance with the TGP Rules. Below, are the Initial Tariff set by this Honorable Commission for each group of EC:

	Operating Revenue Requirement (ORR) (Distribution, Supply, Metering)	Member's Contribution for Capital Expenditure
Group A	2.420000	0.5324
Group B	1.820000	0.4004
Group C	1.680000	0.3696
Group D	1.140000	0.2508
Group E	1.320000	0.2904
Group F	0.990000	0.2178
Group G	0.690000	0.1518

7. Applicant NONECO was classified under Group E with an Initial Tariff Cap for DSM and MCC of Php1.32 and Php0.2904, respectively.

8. In a Decision issued by this Honorable Commission, Applicant NONECO was authorized to implement the following initial DSM rates:

	Residential	Low Voltage	Higher Voltage
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	0.5782	0.7595	219.68
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	0.6001	42.92	42.92
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	5.0000 0.4326	35.94	35.94

9. Thus, herein Applicant files the instant Application seeking for an adjustment in the tariff rate pursuant to Article VII of RSEC-WR and TGP Rules.

10. Basically, Applicant's Tariff Glide Path was computed in accordance with the formula provided in Article VII of the RSEC-WR, to wit:

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

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While Index "I" pertains to escalation factor to be used in adjusting the rates to reflect current costs, the Efficiency Factor "X" provides for the sharing of the EC's efficiency with the member-consumers. Meanwhile, Performance Incentive "S" is intended as a reward or punishment for the EC for above and below performance, respectively.

11. Using the above formula, Applicant NONECO determined its TGP as follows:

TGP Including "S"

	Residential	Low Voltage	Higher Voltage
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	0.6420	0.8432	243.90
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	0.6663	47.65	47.65
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	5.5513 0.4803	39.90	39.90

TGP Excluding "S"

	Residential	Low Voltage	Higher Voltage
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	0.6287	0.8258	238.85
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	0.6525	46.67	46.67
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	5.4363 0.4703	39.08	39.08

12. As mentioned earlier, TGP served as a cap on the adjustments. Relative thereto, EC may adjust its initial tariff either by increasing or moving up to the cap in case of positive adjustments, or reduce its tariff if the TGP is lower than the current average tariff. Notably, Applicant NONECO's computation of its Tariff Glide Path resulted in a positive adjustment. Accordingly,

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herein Applicant will be seeking to implement adjustments on its tariff rates accordingly up to the cap.

13. In the event the Honorable Commission approves the instant Application, there would be an increase in the current DSM being collected from Applicant's member-consumers. Below are the tables showing the summary of the existing tariff and the proposed rate per customer class:

Residential Customers

	Existing	Proposed Rate	
		With "S"	Without "S"
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	0.5782	0.6420	0.6287
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	0.6001	0.6663	0.6525
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	5.000 0.4326	5.5513 0.4803	5.4363 0.4703

Low Voltage Customers

	Existing	Proposed Rate	
		With "S"	Without "S"
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	0.7595	0.8432	0.8258
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	42.92	47.65	46.67
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	35.94	39.90	39.08

Higher Voltage Customers

	Existing	Proposed Rate	
		With "S"	Without "S"
Distribution Charges: Demand Charge (PhP/kW) Distribution System Charge (PhP/kWh)	219.68	243.90	238.85
Supply Charges: Retail Customer Charge (PhP/Cust/Month) Supply System Charge (PhP/kWh)	42.92	47.65	46.67
Metering Charges: Retail Customer Charge (PhP/Meter/Month) Metering System Charge (PhP/kWh)	35.94	39.90	39.08

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14. The applicant's DSM rates were granted by the Honorable Commission way back in January 2010 and over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation and governmental requirements but as well as the subsequent effect of Super typhoon "Yolanda" that hit the coverage area which used up the coop's general fund. Currently, the LGUs are on its last phase in the processing of housing relocation projects for "Yolanda" victims and the expected number of houses is 20,000 with an extended lines because of the target locations in the remote places. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) and Barangay Line Enhancement Projects (BLEP) since year 2011 and this massive expansion of distribution lines and facilities up to the remotest and far-flung areas has considerably increased our operations and maintenance costs and likewise resulted to increased system loss which the cooperative is likely to absorb. The Department of Public Works and Highways' (DPWH) requests for facility relocations due to road expansions are generally unexpected and unplanned which electric cooperative such as Applicant cannot include in the capex and thus will be absorbed also by the cooperative.

15. In addition to the foregoing, for Applicant NONECO to improve further its services to its consumers by providing the necessary logistics and adequate manpower resources so as to ensure power reliability within its franchise area, it is urgent that a provisional authority to implement the rate adjustments under this Application be immediately issued pending hearing of the instant Application;

16. In support of the instant Application and the prayer for the issuance of provisional authority, attached hereto as ANNEX "B" and made integral part hereof is the Judicial Affidavit of PAULINO G. ALMEDILLA, Manager of Corporate Planning Department of the Applicant.

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that pending hearing of the instant Application, a provisional authority be issued authorizing Applicant to adjust its rates up to the cap and to accordingly implement the adjustment starting January 2016 as follows:

TGP including "S"

	Residential	Low Voltage	High Voltage
Distribution Charges:			
Demand Charge (PhP/kW)			243.90
Distribution System Charge (PhP/kWh)	0.6420	0.8432	
Supply Charges:			
Retail Customer Charge (PhP/Cust/Month)		47.65	47.65
Supply System Charge (PhP/kWh)	0.6663		

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Metering Charges: Retail Customer Charge (PhP/Meter/Month)	5.5513 0.4803	39.90	39.90
Metering System Charge (PhP/kWh)			

TGP excluding "S"

	Residential	Low Voltage	High Voltage
Distribution Charges: Demand Charge (PhP/kW)			238.85
Distribution System Charge (PhP/kWh)	0.6287	0.8258	
Supply Charges: Retail Customer Charge (PhP/Cust/Month)		46.67	46.67
Supply System Charge (PhP/kWh)	0.6525		
Metering Charges: Retail Customer Charge (PhP/Meter/Month)	5.4363	39.08	39.08
Metering System Charge (PhP/kWh)	0.4703		

Further, it is likewise prayed that after trial and hearing, a DECISION be rendered PERMANENTLY APPROVING the adjustments in rates under the instant Application.

Applicant prays for such other relief just and equitable under the premises.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **23 March 2017 at nine o'clock in the morning (9:00 A.M.), at NONECO's principal office at Brgy. Tortosa, Manapla, Negros Occidental .**

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 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 **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 30th day of January 2017 in Pasig City.


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