

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, WITH PRAYER
FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015-090 RC

**TARLAC I ELECTRIC
COOPERATIVE, INC.
(TARELCO I),
Applicant.**

D O C K E T E D
Date: **FEB 16 2017**
By: **W**

X-----X

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 April 2015, the Tarlac I Electric Cooperative, Inc. (TARELCO I) filed an *Application* dated 22 April 2015 (Application) for approval of adjustment in rates, pursuant to the Tariff Glide Path (TGP) with prayer for provisional authority.

In its *Application*, TARELCO I alleged the following:

THE APPLICANT

1. TARELCO I 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 office at Amacalan, Gerona, Tarlac;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Anao, Camiling, Gerona, Mayantoc, Moncada, Paniqui, Pura, Ramos, San Clemente, San Jose, San Manuel, Sta. Ignacia, and Victoria, in the province of Tarlac; Barangays Batangbatang, Bora, Laoang, San Juan de Mata and Sto. Domingo in Tarlac City, Province of Tarlac; the

municipalities of Cuyapo and Nampicuan, in the Province of Nueva Ecija; Barangays Agcano, Bagong Barrio, Bulakid, Caingin Tabing-Ilog, Escano, Lamorito, Maybubon, San Agustin, Yuson, Sitios Boundary, Gragasin I, Gragasin II, Manga & Medina in Barangay San Miguel, Sitio Bertese, Barangay Lennec in the Municipality of Guimba and Sitio Bardias, Barangay Villarosa in the municipality of Licab, likewise in the province of Nueva Ecija.

THE ANTECEDENT RULES AND FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
4. The RSEC-WR envisioned a regulatory framework whereby an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. In the same year, TARELCO I filed with the Honorable Commission an application for approval of its proposed adjustment in rates pursuant to the RSEC-WR, docketed as ERC Case No. 2009 – 114 RC;
6. 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 other charges, at the end of the transition period, to wit:

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			219.68
Distribution System Charge	PhP/kWh	0.5782	0.7595	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		42.92	42.92
Supply System Charge	PhP/kWh	0.6001		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.00	35.94	35.94
Metering System Charge	PhP/kWh	0.4326		

LEGAL BASIS FOR THE APPLICATION

7. Article 7 of the RSEC-WR provides that during the regulatory period, the rate of the 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.

8. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to the above Article 7 of the RSEC-WR;
9. 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;
10. Under the TGP, the regulatory period is six (6) years for each entry group. For the Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018. TARELCO I belongs to the Third Entrant Group;
11. 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.

THE PROPOSED RATE ADJUSTMENT

12. Applying the methodology embodied in the TGP Rules, TARELCO I 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 2013	0.00 %	0.00 %	2.5 %	2.5 %	0.00 %
Year 2014	0.00 %	0.00 %	1.7 %	1.7 %	0.00 %
Year 2015	0.00 %	4.66 %	2.5 %	-2.16 %	-4.66 %
Net Results	0.00 %	4.66 %	6.2 %	2.04 %	-4.66 %

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13. Applying the above values resulted in adjustments on TARELCO I's DSM Rates, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			224.15
Distribution System Charge	PhP/kWh	0.5900	0.7750	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		43.79	43.79
Supply System Charge	PhP/kWh	0.6123		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.10	36.67	36.67
Metering System Charge	PhP/kWh	0.4414		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			209.44
Distribution System Charge	PhP/kWh	0.5512	0.7241	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		40.92	40.92
Supply System Charge	PhP/kWh	0.5721		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.77	34.26	34.26
Metering System Charge	PhP/kWh	0.4124		

14. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

SUPPORTING DATA AND DOCUMENTS

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

Annex	Nature of Document
A	Proposed TGP calculation and supporting documents using the prescribed templates:
A-2	Index "I" Calculation
A-3	Efficiency Factor "X" Calculation
	Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of

	Customers, kW Demand) (2010 -2104)
D	Sample Bills (per customer type) (2010 -2014)
E	Regional CPI (2011 -2014)
F	RFSC/Reinvestment Fund Utilization (2012-2014)
G	Consumer Complaints (Summary or Tracking Form) (2012- 2014)
H	Audited Financial Statements (2010 -2014)

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

16. Applicant repleads the foregoing allegations as may be material herein;
17. Applicant's current DSM rates were provisionally granted by the Honorable Commission in three (3) yearly tranches which were started way back January 2010;
18. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as certain governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of President Benigno Simeon C. Aquino III, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs, not to mention the increased system loss which the cooperative is likely to absorb. All these costs were not duly provided for in its current rates and the general funds being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;
19. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
20. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2016;
21. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective January 1, 2016.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

22. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

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Annex	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Gerona and Sangguniang Panlalawigan of Tarlac
K to K-2	Proof of publication of the Application in a newspaper of general circulation in TARELCO I's franchise area or where its principally operates

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application or after due notice and hearing, as the case may be, TARELCO I 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, 2016, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			224.15
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Supply System Charge	PhP/kWh	0.5721		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.77	34.26	34.26
Metering System Charge	PhP/kWh	0.4124		

Other reliefs, just and equitable in the premises are likewise prayed for.

On 23 January 2017, the Commission issued an Order and a Notice of Public Hearing, setting the Application for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on 21 February 2017.

On 03 February 2017, TARELCO I filed a *Manifestation with Motion to Reset Hearing* (Motion) of even date with a prayer for the cancellation and resetting of the 21 February 2017 scheduled hearing due to lack of material time to comply with the Commission's publication requirements.

Finding the said Motion meritorious, the same was **GRANTED**. The hearing scheduled on 21 February 2017 was cancelled. Therefore, the Commission resets the instant Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and evidentiary hearing on **08 March 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at TARELCO I's Main Office at Amacalan, Gerona, Tarlac.**

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 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 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 10th day of February 2017 at Pasig City.


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


LS: JAO/LSP/C/B/APV

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Copy Furnished:

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2. Tarlac I Electric Cooperative, Inc. (TARELCO I)
Amacalan, Gerona, Tarlac
3. Office of the Solicitor General
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Metro Manila
4. Commission on Audit
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
5. Senate Committee on Energy
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. House Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. Office of the City Mayor
Tarlac City, Tarlac
8. Office of the Local Government Unit (LGU) Legislative body
Tarlac City, Tarlac
9. Office of the Municipal Mayor
Gerona, Tarlac
10. Office of the Local Government Unit (LGU) Legislative body
Gerona, Tarlac
11. Office of the Municipal Mayor
Paniqui, Tarlac
12. Office of the Local Government Unit (LGU) Legislative body
Paniqui, Tarlac
13. Office of the Municipal Mayor
Ramos, Tarlac
14. Office of the Local Government Unit (LGU) Legislative body
Ramos, Tarlac
15. Office of the Municipal Mayor
Moncada, Tarlac

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16. Office of the Local Government Unit (LGU) Legislative body
Moncada, Tarlac
17. Office of the Municipal Mayor
San Manuel, Tarlac
18. Office of the Local Government Unit (LGU) Legislative body
San Manuel, Tarlac
19. Office of the Municipal Mayor
Victoria, Tarlac
20. Office of the Local Government Unit (LGU) Legislative body
Victoria, Tarlac
21. Office of the Municipal Mayor
Pura, Tarlac
22. Office of the Local Government Unit (LGU) Legislative body
Pura, Tarlac
23. Office of the Municipal Mayor
Anao, Tarlac
24. Office of the Local Government Unit (LGU) Legislative body
Anao, Tarlac
25. Office of the Municipal Mayor
Camiling, Tarlac
26. Office of the Local Government Unit (LGU) Legislative body
Camiling, Tarlac
27. Office of the Municipal Mayor
San Jose, Tarlac
28. Office of the Local Government Unit (LGU) Legislative body
Camiling, Tarlac
29. Office of the Municipal Mayor
Mayantoc, Tarlac
30. Office of the Local Government Unit (LGU) Legislative body
Mayantoc, Tarlac
31. Office of the Municipal Mayor
Sta. Ignacia, Tarlac
32. Office of the Local Government Unit (LGU) Legislative body
Sta. Ignacia, Tarlac
33. Office of the Municipal Mayor
San Clemente, Tarlac
34. Office of the Local Government Unit (LGU) Legislative body
San Clemente, Tarlac

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35. Office of the Municipal Mayor
Nampicuan, Nueva Ecija
36. Office of the Local Government Unit (LGU) Legislative body
Nampicuan, Nueva Ecija
37. Office of the Municipal Mayor
Cuyapo, Nueva Ecija
38. Office of the Local Government Unit (LGU) Legislative body
Cuyapo, Nueva Ecija
39. Office of the Municipal Mayor
Guimba, Nueva Ecija
40. Office of the Local Government Unit (LGU) Legislative body
Guimba, Nueva Ecija
41. Office of the Municipal Mayor
Licab, Nueva Ecija
42. Office of the Local Government Unit (LGU) Legislative body
Licab, Nueva Ecija
43. Office of the Provincial Governor
Province of Tarlac
44. Office of the Local Government Unit (LGU) Legislative body
Province of Tarlac
45. Office of Provincial Governor
Province of Nueva Ecija
46. Office of the Local Government Unit (LGU) Legislative body
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