

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. 2015 -093 RC**

**MOUNTAIN PROVINCE  
ELECTRIC COOPERATIVE,  
INC. (MOPRECO),**

**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 11 May 2015, Mountain Province Electric Cooperative, Inc. (MOPRECO) filed an *Application* for approval of the adjustment in rates pursuant to the tariff glide path (TGP) rules, with prayer for provisional authority.

MOPRECO alleged the following in its *Application*:

1. MOPRECO 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 in Bontoc, Mountain Province;
2. It holds an exclusive franchise issued by the National Electrification Commission, to operate an electric light and power distribution service in the municipalities of Barlig, Bauko, Bontoc, Besao, Natonin, Paracelis, Sabangan, Sadanga, Sagada and Tadian, all in the province of Mountain Province;

**THE ANTECEDENT RULES AND FACTS**

1. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSECWR);

**ERC CASE NO. 2015-093 RC**  
**NOTICE OF PUBLIC HEARING/ 24 JANUARY 2017**  
**PAGE 2 OF 8**

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2. The regulatory framework envisioned under the RSEC-WR is that an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
3. Pursuant to the RSEC-WR, in 2009, MOPRECO filed with the Honorable Commission an application for approval of a proposed adjustment in its rates, docketed as ERC Case No. 2009-16 RC;
4. The Honorable Commission approved the application, granting the cooperative at the end of the transition period, the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			302.51
Distribution System Charge	PhP/kWh	1.0557	1.1577	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		42.8200	42.8000
Supply System Charge	PhP/kWh	1.0282		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.0000	29.1200	29.1200
Metering System Charge	PhP/kWh	0.5792		

5. 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:

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.

**LEGAL BASIS FOR THE APPLICATION**

6. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR;
7. 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;
8. 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.
9. 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**

10. Applying the methodology embodied in the TGP Rules, MOPRECO 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 2011	.00%	.00%	1.90%	1.90%	.00%
Year 2012	.00%	.00%	2.50%	2.50%	.00%
Year 2013	.00%	.00%	.50%	.50%	.00%
Net Results				4.90%	.00%

**ERC CASE NO. 2015-093 RC**  
**NOTICE OF PUBLIC HEARING/ 24 JANUARY 2017**  
**PAGE 4 OF 8**

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

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

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			317.33
Distribution System Charge	PhP/kWh	1.1074	1.2144	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		44.9200	44.9200
Supply System Charge	PhP/kWh	1.0786		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.2500	30.5500	30.5500
Metering System Charge	PhP/kWh	0.6076		

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

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			302.51
Distribution System Charge	PhP/kWh	1.0557	1.1577	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		42.8200	42.8200
Supply System Charge	PhP/kWh	1.0282		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.0000	29.1200	29.1200
Metering System Charge	PhP/kWh	0.5792		

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

**SUPPORTING DATA AND DOCUMENTS**

13. 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 A-2 A-3	Proposed TGP Calculation 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 (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010 - 2104)
D	Sample Bills (per customer type) (2010 -2014)
E	Regional CPI
F	RFSC/Reinvestment Fund Utilitization (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**

14. Applicant repleads the foregoing allegations as may be material herein;
15. Applicant's current DSM rates have been granted by the Honorable Commission in tranches starting 2010 by virtue of the RSEC-WR;
16. 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 the Aquino government, 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 RSECWR are no longer sufficient to cover these inevitable costs;
17. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
18. 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;
19. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional

**ERC CASE NO. 2015-093 RC**  
**NOTICE OF PUBLIC HEARING/ 24 JANUARY 2017**  
**PAGE 6 OF 8**

authority to implement the proposed rates effective January 1, 2016.

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

20. 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:

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 Bontoc and Sangguniang Panlalawigan of Mountain Province
K and series	Proof of publication of the Application in a newspaper of series general circulation in MOPRECO'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, MOPRECO 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"**

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			317.33
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Retail Customer Charge	PhP/Meter/Mo	5.0000	29.1200	29.1200
Metering System Charge	PhP/kWh	0.5792		

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 **14 February 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at MOPRECO's principal office at Bontoc, Mountain Province.**

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 24<sup>th</sup> day of January 2017 at Pasig City.

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