

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. 2015-125 RC

**BILIRAN ELECTRIC
COOPERATIVE, INC.
(BILECO),**

Applicant.

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DOCKETED
Date: FEB 07 2017
By: *M*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 June 2015, Biliran Electric Cooperative, Inc. (BILECO) 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.

BILECO alleged the following in its *Application*:

THE APPLICANT

1. BILECO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at Brgy. Caraycaray, Naval, Biliran;
2. BILECO holds an exclusive franchise from the National Electrification Commission (NEC) to operate an electric light and power distribution service in the seven (7)

municipalities of the Province of Biliran, namely: Naval, Biliran, Cabucgayan, Caibiran, Culaba, Kawayan and Almeria;

THE ANTECEDENT FACTS

3. In 2009, the 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. Pursuant to the RSEC-WR, in 2009, BILECO filed with the Commission an Application for approval of proposed adjustment in its rates, docketed as ERC Case No. 2009-077 RC;
6. In the said application, the Commission granted BILECO provisional authority to implement the proposed rates in three-year tranches, with the following rate caps or initial tariffs on the Distribution, Supply and Metering (DSM) Charges being implemented starting at the end of the transition period, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.0557	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.0000	29.12
Metering System Charge	PhP/kWh	.5792	

7. It is provided under Article 7 of the RSEC-WR 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 BASES FOR THE APPLICATION

A. The Tariff Glide Path Rules

8. On May 2, 2011, the Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to 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. BILECO 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:

$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2}$ 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.

B. The RSEC-WR

12. Under Article 3.1 of the RSEC-WR, for electric cooperatives belonging to Group A to which BILECO belongs, the Initial DSM Tariffs for Higher Voltage Customers are as follows, to wit:

Particulars	Units	Distribution	Supply	Metering
Higher Voltage	PhP/kW PhP/cust/mo.	302.51	42.82	29.12

13. As noted in Paragraph 6 above however, the rates granted to BILECO do not include rates for Higher Voltage Customers;
14. The reason for the non-inclusion was that, at the time of filing said application, BILECO did not have any existing customers which could be classified as Higher Voltage Customers, and BILECO was not expecting to have in the near future, any customers which would fall within the category of Higher Voltage hence, the exclusion in said application for approval of rates for higher voltage customers;
15. However, development of the Province of Biliran has grown fast, and higher voltage customers emerged in BILECO's franchise area;
16. Accordingly, necessity requires that proper DSM rates for higher voltage customers be provided to BILECO;
17. Hence, BILECO includes in the instant Application a proposed adjustment in the DSM rates for Higher Voltage Customers as embodied in the RSEC-WR;

THE PROPOSED RATE ADJUSTMENT

18. BILECO was among the electric cooperatives whose franchise areas were severely hit by Super Typhoon Yolanda on that fateful day of November 8, 2013;
19. The typhoon brought about massive destruction to life and property, including BILECO's distribution facilities;
20. The catastrophe destroyed the households and businesses of BILECO's customers, and during the months that BILECO was unable to bill and collect payment from its customers, its revenues and number of customers dropped;
21. It should be noted that the number of customers as well as the amount of kilowatt hour sales during the period

covered by the instant application are determinants in the computation of the TGP;

22. If the reduction in its revenues and number of customers brought about by the effects of Typhoon Yolanda is considered in the TGP calculation, the resulting rates would not be to cope with the cooperative's current and normal operations;
23. In view thereof, BILECO prepared a comparative analysis utilizing data under normal operations as well as actual data when its operations was being prejudiced by the effects of Typhoon Yolanda, and applying the methodology embodied in the TGP Rules, calculated the values of the "I", "X" and "S", and came up with the following results, to wit:

Utilizing data under normal operations:

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2013	0.00%	0.00%	0.30%	0.30%	0.00%
YEAR 2014	0.00%	0.00%	0.30%	0.30%	0.00%
YEAR 2015	5.53%	0.00%	0.70%	6.23%	5.53%
TOTAL				6.83%	5.53%

Including actual data affected by Typhoon Yolanda

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2013	0.00%	0.00%	0.90%	0.90%	0.00%
YEAR 2014	8.68%	0.00%	0.90%	9.58%	8.68%
YEAR 2015	2.60%	37.49%	1.30%	-33.59%	-34.89%
TOTAL				-23.11%	-26.21%

24. Applying the above values pursuant to the TGP Rules resulted in adjustments on BILECO's DSM rates, as follows:

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A. WITH PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			323.16
Distribution System Charge	PhP/kWh	1.1278	1.2367	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.74	45.74
Supply System Charge	PhP/kWh	1.0984		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.34	31.11	31.11
Metering System Charge	PhP/kWh	.6187		

B) EXCLUDING PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			319.23
Distribution System Charge	PhP/kWh	1.1141	1.2217	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.19	45.19
Supply System Charge	PhP/kWh	1.0850		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	30.73	30.73
Metering System Charge	PhP/kWh	.6112		

C. WITH PERFORMANCE INCENTIVE "S" AND WITH TYPHOON YOLANDA DATA

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			232.60
Distribution System Charge	PhP/kWh	.8117	.8902	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		32.92	32.92
Supply System Charge	PhP/kWh	.7906		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	3.84	22.39	22.39
Metering System Charge	PhP/kWh	.4453		

D) EXCLUDING PERFORMANCE INCENTIVE "S" AND WITH TYPHOON YOLANDA DATA

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			223.22
Distribution System Charge	PhP/kWh	.7790	.8543	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		31.60	31.60
Supply System Charge	PhP/kWh	.7587		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	3.69	21.49	21.49
Metering System Charge	PhP/kWh	.4274		

25. From the foregoing, it is shown that BILECO's resulting rates are lower if the adverse effects of Typhoon Yolanda is considered in the calculations;
26. However, the effect of Typhoon Yolanda is extra-ordinary in nature and not reflective of the normal operations of BILECO. Consequently, BILECO prays for the approval of the calculated DSM rates utilizing data during normal operations;

SUPPORTING DATA AND DOCUMENTS

27. In support of the foregoing computations, BILECO is submitting the following data and documents, which are being made integral parts of the Application, to wit:

Annex No.	Nature of Document
A A-1 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 (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010-2014)
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**

28. BILECO repleads the foregoing allegations as may be material herein;
29. BILECO's current DSM rates for Residential and Lower Voltage Customers, as granted by the Commission based on the RSEC-WR, were implemented by it in three (3) yearly tranches, which started way back in January 2010;
30. 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, BILECO 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 BILECO 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;
31. Thus, BILECO urgently needs additional funds to be able to cope with the rising costs of its operations;
32. 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;
33. Furthermore, fairness demands that BILECO's Higher Voltage Customers be charged the proper rates while the application is pending evaluation of the Commission;

34. Considering the foregoing, BILECO 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

35. Finally, in compliance with the ERC Rules of Practice and Procedure, BILECO is likewise submitting the following documents, which are being made integral parts of the Application, to wit:

Annex No.	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 Naval and Sangguniang Panlalawigan of Biliran
K and series	Proof of Publication of the Application in a newspaper of general circulation in BILECO's franchise area or where it principally operates

36. BILECO respectfully prays that pending evaluation of the instant Application or after due notice and hearing, as the case may be, BILECO be allowed to implement effective January 1, 2016 either of the following two (2) alternative proposed new rates for Distribution, Supply and Metering (DSM) Charges for Residential, Low Voltage and Higher Voltage Customers, respectively, to wit:

A. WITH PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
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Distribution Charges:				
Demand Charge	PhP/kW			323.16
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B. EXCLUDING PERFORMANCE INCENTIVE "S" AND UNDER NORMAL OPERATIONS

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			319.23
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Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	30.73	30.73
Metering System Charge	PhP/kWh	.6112		

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **15 March 2017 (Wednesday) at nine-thirty in the morning (9:30 A.M.), at BILECO's principal office at Brgy. Caraycaray, Naval, Biliran.**

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 23rd day of January 2017 at Pasig City.


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