

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. 2015-126 RC

**NORTHERN SAMAR
ELECTRIC COOPERATIVE,
INC. (NORSAMELCO),**

Applicant.

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D O C K E T E D
Date: **FEB 06 2017**
By: **W**

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 June 2015, applicant Northern Samar Electric Cooperative, Inc. (NORSAMELCO) filed an application seeking the Commission's approval for the adjustment in its rates in accordance with the rules governing the tariff glide path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR), with prayer for the issuance of provisional authority.

NORSAMELCO alleged the following in its application:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Magsaysay, Bobon, Northern Samar;
2. It is the holder of an exclusive franchise issued by the National Electrification Administration (NEA), to operate an electric light and power distribution service in the (24) municipalities, namely the municipalities of San Isidro, Victoria, Allen, Lavezares, Rosario, San Jose, Bobon, Lope de Vega, Mondragon, Catarman, San Vicente, Capul, San

Antonio, Biri, San Roque, Pambujan, Silvino, Lobos, Laoang, Catubig, Las Navas, Palapag, Mapanas, Gamay, and Lapinig all in the province of Northern Samar;

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

CURRENT RATES		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			
Distribution System Charge	Php/kWh	0.8449	0.9259	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		40.15	
Supply System Charge	Php/kWh	0.7732		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.00	28.72	
Metering System Charge	Php/kWh	0.4569		

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:

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 the current average tariff, a reduction may be implemented.

6. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates every three (3) years. The rate adjustment 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 Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. NORSAMELCO belongs to the Third 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:

$$TGPA = TGP_n + TGP_{n+1} + TGP_{n+2} \text{ where}$$

$$TGP_n = I_n - X_n + S_n$$

N = the first year of the 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, NORSAMELCO 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%	0.40%	0.40%	0.00%
YEAR 2014	0.00%	0.00%	0.40%	0.40%	0.00%
YEAR 2015	8.38%	4.20%	0.00%	4.18%	4.18%
TOTAL				3.38%	4.18%

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

TGP - A		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			
Distribution System Charge	Php/kWh	0.8735	0.9572	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		41.51	
Supply System Charge	Php/kWh	0.7994		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.17	29.69	
Metering System Charge	Php/kWh	0.4724		

TGP - A (excluding "S")		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			
Distribution System Charge	Php/kWh	0.8802	0.9646	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		41.83	
Supply System Charge	Php/kWh	0.8055		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.21	29.92	
Metering System Charge	Php/kWh	0.4760		

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally or permanently, starting January 2016, and up to the next regulatory reset;
12. In support of the forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
 - A. TGP Calculations
 - a.1 Index "I" Calculations
 - a.2 Efficiency Factor "X" Calculations
 - a.3 Performance Incentive "S"
 - B. Other Documents
 - b.1 MFSR Sec. B & E
 - b.2 Billing Determinants
 - b.3 Sample Bills
 - b.4 Regional CPI
 - b.5 RFSC/Reinvestment Fund Utilization
 - b.6 Summary of Consumer Complaints
 - b.7 Audited Financial Statements

P R A Y E R

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application of after due notice and hearing, as the case may be, NORSAMELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, starting January 2015 and up to December 2017, to wit:

With Performance Incentive "S"

TGP - A		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			
Distribution System Charge	Php/kWh	0.8735	0.9572	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		41.51	

Supply System Charge	Php/kWh	0.7994		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.17	29.69	
Metering System Charge	Php/kWh	0.4724		

Excluding "S"

TGP - A (excluding "S")		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
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Supply System Charge	Php/kWh	0.8055		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.21	29.92	
Metering System Charge	Php/kWh	0.4760		

Other relief, just and equitable, is 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 **07 March 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at NORSAMELCO's Main Office in Magsaysay, Bobon, Northern Samar.**

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

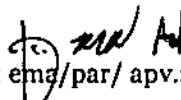
Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 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 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 30th day of January 2017 at Pasig City.


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


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