

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ADJUSTMENT IN RATES
PURSUANT TO THE TARIFF
GLIDE PATH (TGP) RULES,
WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC Case No. 2017-036 RC

**SAN JOSE CITY ELECTRIC
COOPERATIVE, INC.
(SAJELCO),**

Applicant.

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D O C K E T E D
Date: **APR 25 2018**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 27 April 2017, San Jose Electric Cooperative, Inc. (SAJELCO) filed an *Application* dated 21 April 2017 (Application) for the approval of rate adjustment in accordance with the rules governing Tariff Glide Path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperative's Wheeling Rates (RSEC-WR).

In its *Application*, SAJELCO alleged the following:

1. That applicant is an electric cooperative duly organized under the laws of the Philippines with principal office address at Maharlika Highway, Abar 1st, San Jose City, Nueva Ecija, where it may be served with orders, notices, and other legal processes of the Honorable Commission. Said applicant is herein represented by its General Manager, Celestino P. Pobre, of legal age, Filipino, married, and with the same office address as that of the applicant;

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2. Herein applicant is the exclusive holder of a franchise issued by the National Electrification Administration (NEA) to operate an electric light and power services in San Jose City and adjacent town, all in the province of Nueva Ecija;
3. That last November 6, 2009, herein applicant filed with the Honorable Commission an application for approval of the proposed adjustment in its rates pursuant to the Rules for Setting the Electric Cooperative's Wheeling Rates (RSEC-WR);
4. In the said application filed on November 6, 2009, the Honorable Commission granted the applicant cooperative provisional authority to implement the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

	Units	Customer Type		
		Residential	Low Voltage	Higher Voltage
Distribution Charges Demand Charge	PhP/kW			167.56
Distribution System Charge	PhP/kWh	0.4613	0.4441	
Supply Charges: Retail Customer Charge	PhP/Customer/Mo		46.60	46.60
Supply System Charge	PhP/kWh.	0.5376		
Metering Charges: Retail Customer Charge	PhP/Meter/Mo	5.00	32.78	32.78
Metering System Charge	PhP/kWh	0.3205		

5. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article VII 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 growth. 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.

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7. Under the TGP, the regulatory period is six years (6) for each entry Group. For Second Entrant Group, the second regulatory period is from January 1, 2015 to December 31, 2017. SAJELCO, herein applicant, belongs to the Second Entrant Group.
8. Furthermore, under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

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

$$TGP_n = I_n - X_n + S_n$$

n = the fourth year of the Regulatory Period and succeeding Regulatory Periods

The TGP calculated for each of the three years will be summed to determine the possible rate adjustment starting on the First Year of the next Regulatory period.

9. Applying the methodology embodied in the TGP Rules, applicant calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"	"X"	"S"	TGP B	TGP B (Excluding "S")
Year 2015	0.00%	3.65%	1.50%	-2.15%	-3.65%
Year 2016	0.00%	4.19%	1.70%	-2.49%	-4.19%
Year 2017	0.00%	0.00%	1.90%	1.90%	0.00%
Net Results				-2.74%	-7.84%

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

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.4613	0.5229	0.5058	0.5085	0.4661
	Supply	PhP/kWh	0.5376	0.6094	0.5895	0.5927	0.5432
	Metering	PhP/kWh	0.3205	0.3633	0.3514	0.3533	0.3239
	Metering	PhP/meter/mo	5.00	5.67	5.48	5.51	5.05
LOW VOLTAGE	Distribution	PhP/kWh	0.4441	0.5034	0.4870	0.4896	0.4488
	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.12
HIGHER VOLTAGE	Distribution	PhP/kW	167.56	189.93	183.73	184.72	169.32
	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.12

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11. In support of the foregoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
- a. Proposed TGP Calculations and supporting documents using the prescribed templates as ANNEX "A";
 - a.1 Index "I" Calculation
 - a.2 Efficiency Factor "X" Calculation
 - a.3 Performance Incentive "S" Calculation
 - b. MFSR (Section B and E) as ANNEX "B";
 - c. Billing Determinants Template (kWh Sales, No. of Consumers, kW Demand) as ANNEX "C";
 - d. Sample Bills (per customer type) as ANNEX "D";
 - e. Regional Consumer Price Index (CPI) as ANNEX "E";
 - f. RFSC/Reinvestment Fund Utilization as ANNEX "F";
 - g. Consumer Complaints (Summary or Tracking Form) as ANNEX "G";
 - h. Audited Financial Statements as ANNEX "H".

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, the proposed Tariff Glide Path Rates be approved provisionally pending hearing and evaluation of the application:

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
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Other relief/s just and equitable in the premises are likewise prayed for.

The Commission has set the *Application* for determination of compliance with jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on **16 May 2018 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at SAJELCO's Principal Office at Maharlika Highway, San Jose City, Nueva Ecija.**

All persons who have 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

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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 Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 11th day of April 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

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