

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



**IN THE MATTER OF THE
APPLICATION OF A RATE
ADJUSTMENT IN
ACCORDANCE WITH THE
RULES GOVERNING THE
TARIFF GLIDE PATH
PURSUANT TO ARTICLE VII
OF THE RULES FOR SETTING
THE RURAL ELECTRIC
COOPERATIVE'S WHEELING
RATES (RSEC-WR),**

ERC CASE NO. 2017-032 RC

**ZAMBALES II ELECTRIC
COOPERATIVE, INC.
(ZAMECO II),**

Applicant.

D O C K E T E D
Date: NOV 23 2017
By: W

X-----X

ORDER

On 25 April 2017, Zambales II Electric Cooperative, Inc. (ZAMECO II) filed an *Application* dated 17 April 2017 (*Application*) for the approval of rate adjustment in accordance with the rules governing Tariff Glide Path (TGP) pursuant to Article VII of the Rules for Setting the Rural Electric Cooperative's Wheeling Rates (RSEC-WR).

In its *Application*, ZAMECO II alleged the following:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Barangay Magsaysay, Castillejos, Zambales, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. ALVIN M. FARRALES, of legal age, Filipino, and with office address also at ZAMECO II main office;
2. That herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to

operate an electric light and power services in the municipalities of the province of Zambales, namely: Cabangan, Castillejos, San Antonio, San Felipe, San Marcelino, San Narciso, and Subic;

3. That pursuant to Article 7 (Tariff Glide Path) of the RSEC-WR, the Energy Regulatory Commission (ERC) issued, adopted and promulgated the Rules Governing the Movement of the Initial Tariffs to the Tariff Caps during the Regulatory Period. The tariff glide path will be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"}]$$

- a. 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.
 - b. There shall be an efficiency factor, "X", to account for the operational efficiency of the EC's in setting their rates.
 - c. There shall be a performance incentive, "S", which shall reward or penalize the EC for above or below standard performance, respectively.
4. Based on the Rules on Tariff Glide Path promulgated by the Honorable Commission, Index "I" was computed by ZAMECO II as follows:

Particulars	Average CPI	ΔCPI	Total KWh Sales	GR	difference	"I"
YEAR n-1 (2014)	135.40		107,422,959			
YEAR n (2015)	140.30	3.62%	110,794,037	3.14%	0.48%	0.48%
YEAR n+1 (2016)	142.10	1.28%	122,384,830	10.46%	-9.18%	0.00%
YEAR n+2 (2017)	145.20	2.18%	135,854,768	11.01%	-8.82%	0.00%

5. Likewise, ZAMECO II calculated the Efficiency Factor "X" as follows:

Particulars	Total Man Hours			
	2014	2015	2016	2017
Regular employees	433,766	421,526	448,465	444,305
Contractual Employees	151,334	155,303	214,850	238,396
TOTAL	585,100	576,829	663,315	682,701
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	281	277	319	328
Total number of billed connections (year end)	64,378	66,773	70,168	72,913
CPE	229	241	220	222

**ERC CASE NO. 2017-032 RC
ORDER/ 20 NOVEMBER 2017
PAGE 3 of 9**

6. Finally, the Performance Incentive "S" was determined as follows:

YEAR 2015	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	13.37	399.03	12.30	
DIFFERENCE	10.34	1,797.83	0.70	
% impact	1.00%	2.00%	1.50%	1.50%

YEAR 2016	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	10.28	318.15	11.60	
DIFFERENCE	13.43	1,878.71	1.40	
% impact	1.00%	2.00%	2.50%	1.70%

YEAR 2017	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL CAP			13.00	
ACTUAL	14.01	407.55	11.44	
DIFFERENCE	9.70	1,789.31	1.56	
% impact	1.00%	2.00%	2.50%	1.70%

7. Summarizing the above Index "I", Efficiency Factor "X" and Performance Incentive "S", the resultant TGP is as follows:

Regulatory Year	"I"	"X"	"S"	TGP B	TGP B (excluding S)
YEAR 2015	0.48%	3.65%	1.50%	-1.66%	-3.16%
YEAR 2016	0.00%	0.00%	1.70%	1.70%	0.00%
YEAR 2017	0.00%	0.67%	1.70%	1.03%	-0.67%
TOTAL				1.06%	-3.84%

8. Using the calculated TGP above, the adjustment in rates resulted as follows, to wit:

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	0.5143	0.5817	0.5555	0.5879	0.5342
	Supply	PhP/kWh	0.5828	0.6592	0.6295	0.6662	0.6053
	Metering	PhP/kWh	0.3669	0.4150	0.3963	0.4194	0.3811
	Metering	PhP/meter/mo	5.00	5.66	5.40	5.72	5.19
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545	0.5869	0.5332
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39
HIGHER VOLTAGE	Distribution	PhP/kWh	190.03	214.94	205.25	217.22	197.37
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39

9. The above computations were made based on the guideline issued by the Honorable Commission, more specifically the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR); and
10. That as part and parcel of this Application, attached hereto are the detailed computations of the TGP, with supporting documents, duly marked as Annex "A".

PRAYER

WHEREFORE, premises considered, applicant Zambales II Electric Cooperative, Inc. (ZAMECO II) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this application be approved and authorizing ZAMECO II to include in its bills to customers the following Tariff Glide Path:

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	0.5143	0.5817	0.5555	0.5879	0.5342
	Supply	PhP/kWh	0.5828	0.6592	0.6295	0.6662	0.6053
	Metering	PhP/kWh	0.3669	0.4150	0.3963	0.4194	0.3811
	Metering	PhP/meter/mo	5.00	5.66	5.40	5.72	5.19
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5807	0.5545	0.5869	0.5332
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39
HIGHER VOLTAGE	Distribution	PhP/kWh	190.03	214.94	205.25	217.22	197.37
	Supply	PhP/cust/mo	41.61	47.06	44.94	47.56	43.22
	Metering	PhP/meter/mo	31.19	35.28	33.69	35.65	32.39

Other relief, just or equitable, is likewise prayed for.

Finding the *Application* sufficient in substance, the Commission issued an Order and Notice of Public Hearing setting the case for hearing on 28 November 2017. However, on 10 November 2017, ZAMECO II filed a *Motion to Reset Hearing* (Motion) due to the lack of material time to fully comply with the jurisdictional requirements as directed by the Commission.

Finding the *Motion* in order, the same is hereby **GRANTED**.

Accordingly, the instant *Application* is hereby set for determination of compliance with the jurisdictional requirements,

Expository Presentation, Pre-Trial Conference, and presentation of evidence on **25 January 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at ZAMECO II's Main Office in Barangay Magsaysay, Castillejos, Zambales.**

Accordingly, ZAMECO II is hereby directed to:

1. Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
2. Furnish with copies of this Order and the attached Notice of Public Hearing the Officers of the Provincial Governor, the City and Municipal Mayors, and Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
3. Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon the consumers within the affected franchise area, by any other means available and appropriate;
4. Furnish with copies of the *Application*, this Order, and the attached Notice of Public Hearing the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
5. Furnish with copies of the *Application*, and its attachments all those making request therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect signed by the aforementioned Governor, Mayors and LGU legislative bodies or their duly authorized representatives bearing the seals of their offices.
- 3) The evidence of the means employed by Applicant to inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of the *Application* and this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of the copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;

- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in Judicial Affidavit form, to be attached to the Pre-trial Brief.

Failure of ZAMECO II to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

ZAMECO II must also be prepared to make an Expository Presentation of its *Application*, aided by whatever communication medium it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

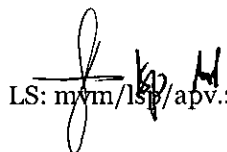
SO ORDERED.

Pasig City, 20 November 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
OIC, Chairman and CEO



LS: mmm/lsp/apv.2017-032 RC ZAMECO II

ERC CASE NO. 2017-032 RC
ORDER/ 20 NOVEMBER 2017
PAGE 8 of 9

Copy furnished:

1. Atty. Arnido O. Inumberable
Counsel for ZAMECO II
405 Elisa Street, U.E. Village, Cainta Rizal
2. Zambales II Electric Cooperative, Inc. (ZAMECO II)
Barangay Magsaysay, Castillejos, Zambales
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village , Makati City
4. Commission on Audit
Commonwealth Ave., Quezon City
5. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
6. The House Committee on Energy
Batasan Hills, Quezon City
7. Office of the President of PCCI
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Governor
Province of Zambales
9. Office of the Sangguniang Panlalawigan
Province of Zambales
10. Office of the Municipal Mayor
Cabangan, Zambales
11. Office of the Sangguniang Bayan
Cabangan, Zambales
12. Office of the Municipal Mayor
Castillejos, Zambales
13. Office of the Sangguniang Bayan
Castillejos, Zambales
14. Office of the Municipal Mayor
San Antonio, Zambales
15. Office of the Sangguniang Bayan
San Antonio, Zambales
16. Office of the Municipal Mayor
San Felipe, Zambales
17. Office of the Sangguniang Bayan
San Felipe, Zambales
18. Office of the Municipal Mayor
San Marcelino, Zambales
19. Office of the Sangguniang Bayan
San Marcelino, Zambales
20. Office of the Municipal Mayor
San Narciso, Zambales

21. Office of the Sangguniang Bayan
San Narciso, Zambales
22. Office of the Municipal Mayor
Subic, Zambales
23. Office of the Sangguniang Bayan
Subic, Zambales