

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATE  
COVERING THE FOURTH  
TO SIXTH REGULATORY  
YEARS OF THE SECOND  
REGULATORY PERIOD FOR  
THE FIRST ENTRANT  
GROUP UNDER THE  
TARIFF GLIDE PATH (TGP)  
RULES**

**ERC CASE NO. 2017 -101 RC**

**TARLAC II ELECTRIC  
COOPERATIVE, INC.  
(TARELCO II),**

**Applicant.**

X-----X

D O C K E T E D

Date: MAR 07 2018

By: \_\_\_\_\_

**ORDER**

On 27 October 2017, Tarlac II Electric Cooperative, Inc. (TARELCO II) filed an *Application* seeking the Commission's approval of adjustment in its rate covering the fourth to sixth regulatory years of the second regulatory period for the first entrant group under the Tariff Glide Path (TGP) rules.

TARELCO II alleged the following in its Application:

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 Brgy San Nicolas, Concepcion, Tarlac where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Jose F. Bognot Jr., of legal age, Filipino, married and with office address also located at Brgy. San Nicolas, Concepcion, Tarlac;
2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the five(5) municipalities, in the province of Tarlac namely; Bamban, Capas, Concepcion, Lapaz and in the province of Nueva Ecija; Zaragoza.

**NATURE OF THE APPLICATION**

3. The instant Application is being filed for the approval of Applicant's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates covering the First to Third Regulatory Years of the Second Regulatory Period for Electric Cooperatives belonging to the First Entrant Group under the Tariff Glide Path Rules (TGP) as well as other pertinent laws and rules.

**STATEMENT OF FACTS**

4. Sometime in year 2013, applicant filed with Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case no.2013-162 RC.
5. In the said application, Applicant prayed for approval of either of the following two(2) proposed alternative DSM Rates, to be implemented effective January 2014, to wit:

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

TGP - A	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
Demand Charge	Php/Kw			237.92
Distribution System Charge	Php/kWh	0.6262	0.8226	
<b>Supply Changes :</b>				
Retail Customer Charge	Php/Customer/Mo.		46.48	46.48
Supply System Charge	Php/kWh	0.6499		
<b>Metering Charges :</b>				
Retail Customer Charge	Php/Meter/Mo.	5.42	38.92	38.92
Metering System Charge	Php/kWh	0.4685		

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

TGP -A	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
Demand Charge	Php/Kw			222.77
Distribution System Charge	Php/kWh	0.5863	0.7702	
<b>Supply Changes :</b>				
Retail Customer Charge	Php/Customer/Mo.		43.52	43.52
Supply System Charge	Php/kWh	0.6085		
<b>Metering Charges :</b>				
Retail Customer Charge	Php/Meter/Mo.	5.07	36.44	36.44
Metering System Charge	Php/kWh	0.4387		

6. Foregoing application was Applicant's initial application for DSM rate adjustment pursuant to the TGP Rules, under which electric cooperatives are given an opportunity to adjust their rates once every three (3) years, which may occur at the start of the fourth year of the First Regulatory Period and every three years thereafter.
7. Applicant belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. Having filed its initial application for DSM rate adjustment in 2013 which is the third regulatory year of the First Regulatory Period, the cooperative is filing the instant application for the year 2016, which is the sixth regulatory year of the Second Regulatory Period, for the proposed adjustment of its DSM rates covering the first to third regulatory years of the Second Regulatory Period for the First Entrant Group.
8. The hearing on jurisdictional requirements, expository presentation and presentation of evidence on Applicant's first TGP application under ERC Case No.2013-162 RC was completed. Also, it had already submitted its Formal Offer of Evidence and the application was submitted for evaluation of the Honorable Commission. Despite the pendency of ERC Case No. 2013-162 RC, Applicant is constrained to adopt and use the proposed DSM rates in said pending application as bases in computing the proposed adjustment in the instant Application.

**THE PROPOSED DSM RATE ADJUSTMENT**

9. Further under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the fourth to six years of the Regulatory Period, to wit:

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

$$TGP_n = I_n - X_n + S_n$$

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.

10. Applying the methodology embodied in the TGP Rules, TARELCO II 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 2014	0.00%	0.00%	2.50%	2.50%	0.00%
YEAR 2015	0.00%	0.00%	2.50%	2.50%	0.00%
YEAR 2016	0.00%	0.00%	2.50%	2.50%	0.00%
Net Results			7.50%	7.50%	0.00%

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

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

TGP - B	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
Demand Charge	Php/Kw			255.77
Distribution System Charge	Php/kWh	0.6732	0.8843	
<b>Supply Changes :</b>				
Retail Customer Charge	Php/Customer/Mo.		49.97	49.97
Supply System Charge	Php/kWh	0.6987		
<b>Metering Charges :</b>				
Retail Customer Charge	Php/Meter/Mo	5.82	41.84	41.84
Metering System Charge	Php/kWh	0.5037		

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

TGB - B	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
Demand Charge	Php/Kw			222.77
Distribution System Charge	Php/kWh	0.5863	0.7702	
<b>Supply Changes :</b>				
Retail Customer Charge	Php/Customer/Mo.		43.52	43.52
Supply System Charge	Php/kWh	0.6085		
<b>Metering Charges :</b>				
Retail Customer Charge	Php/Meter/Mo.	5.07	36.44	36.44
Metering System Charge	Php/kWh	0.4387		

12. That, not included in this application are the International Broadcasting Bureau (IBB) and Fil-am Foods (FFI/PMI). Both have existing contracts executed prior to EPIRA that provide special rates in which they are charged Generation and Transmission cost, only.

13. 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 2017, and up to December 31, 2019.

**SUPPORTING DATA AND DOCUMENTS**

14. In support of the forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A to A3	Proposed TGP Calculations and supporting documents using the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR - Sections B and E (2012-2015)
C	Billing Determinants Template (2012-2015)
D	Sample Bills per customer type (2012-2015)
E	Regional CPI (2012-2015)
F	RFSC Utilization (2013-2015)
G	Consumer Complaints Summary or Tracking Form (2013-2015)
H	Audited Financial Statements (2013-2015)

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

15. Finally, in compliance with the pre-filing requirements for the instant application, Applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

- Proof of furnishing copies of the Application to the Sangguniang Bayan of Bamban, Capas, Concepcion, Lapaz and Zaragoza.
- Proof of furnishing copies of the Application to the Sangguniang Panlalawigan of Tarlac and Nueva Ecija.
- Publication of the Application in a newspaper of general circulation within TARELCO II's franchise area or where it principally operates, with Affidavit of publication.

**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, TARELCO II be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2017 and up to December 31, 2019 to wit;

**A. WITH PERFORMANCE INCENTIVE “S”**

TGP - B	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
<b>Demand Charge</b>	Php/Kw			255.77
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<b>Retail Customer Charge</b>	Php/Customer/Mo.		49.97	49.97
<b>Supply System Charge</b>	Php/kWh	0.6987		
<b>Metering Charges :</b>				
<b>Retail Customer Charge</b>	Php/Meter/Mo	5.82	41.84	41.84
<b>Metering System Charge</b>	Php/kWh	0.5037		

**B. EXCLUDING PERFORMANCE INCENTIVE “S”**

TGB - B	UNITS	CUSTOMER TYPE		
		RESIDENTIAL	LOW VOLTAGE	HIGHER VOLTAGE
<b>Distribution Charges :</b>				
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<b>Supply Changes :</b>				
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<b>Supply System Charge</b>	Php/kWh	0.6085		
<b>Metering Charges :</b>				
<b>Retail Customer Charge</b>	Php/Meter/Mo.	5.07	36.44	36.44
<b>Metering System Charge</b>	Php/kWh	0.4387		

Other relief/s, just and equitable in the premises are likewise prayed for.

Finding the said Application to be sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **19 April 2018 at ten o'clock in the morning (10:00 A.M.), at TARELCO II's principal office at Brgy. San Nicolas, Concepcion, Tarlac .**

Accordingly, TARELCO 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 Offices of the Provincial Governors and Municipal Mayors, and the 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 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 requests 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 Governors, Mayors, and LGU legislative

bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of 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 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 also required 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:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant 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 the said date of cancellation.

TARELCO II must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that 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.

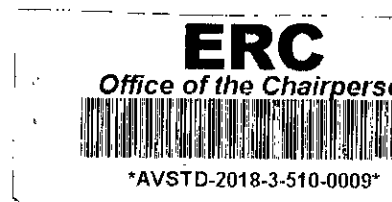
**SO ORDERED.**

Pasig City, 26 February 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS/SLAN/ARE/GLS/APV



COPY FURNISHED:

1. Tarlac II Electric Cooperative, Inc. (TARELCO II)  
*Applicant*  
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2. Atty. Zenon S. Suarez  
*Counsel for Applicant TARELCO II*  
Room 506, Web Jet Bldg. 64 Quezon Ave. corner MBA St., Quezon City
3. Office of the Mayor  
Bamban, Tarlac
4. Office of the LGU legislative body  
Bamban, Tarlac
5. Office of the Mayor  
Capas, Tarlac
6. Office of the LGU legislative body  
Capas, Tarlac
7. Office of the Mayor  
Concepcion, Tarlac
8. Office of the LGU legislative body  
Concepcion, Tarlac
9. Office of the Mayor  
Lapaz, Tarlac
10. Office of the LGU legislative body  
Lapaz, Tarlac
11. Office of the Mayor  
Zaragoza, Nueva Ecija

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12. Office of the LGU legislative body  
Zaragoza, Nueva Ecija
13. Office of the Governor  
Province of Tarlac
14. Office of the LGU legislative body  
Province of Tarlac
15. Office of the Governor  
Province of Nueva Ecija
16. Office of the LGU legislative body  
Province of Nueva Ecija
17. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
18. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City
19. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
20. House Committee on Energy  
Batasan Hills, Quezon City
21. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP),  
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22. Regulatory Operations Service (ROS)  
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17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City