

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
COVERING THE FIRST  
TO THIRD REGULATORY  
YEARS OF THE SECOND  
REGULATORY PERIOD  
FOR THE SECOND  
ENTRANT GROUP  
UNDER THE TARIFF  
GLIDE PATH (TGP)  
RULES, WITH MOTION  
FOR PROVISIONAL  
AUTHORITY,**

**ERC CASE NO. 2017-081 RC**

**ISABELA I ELECTRIC  
COOPERATIVE, INC.,  
(ISELCO I),**

**Applicant.**

X-----X

**D O C K E T E D**  
Date: **MAR 15 2018**  
By: 

**ORDER**

On 15 September 2017, Isabela I Electric Cooperative, Inc. (ISELCO I) filed an *Application* dated 04 August 2017 (*Application*) for the approval of its adjustment in rates covering the first to third regulatory years of the second regulatory period for the second entrant group under the Tariff Glide Path (TGP) rules, with motion for provisional authority.

ISELCO I alleged the following in its *Application*:

1. ISELCO 1 is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Victoria, Alicia, Isabela;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the cities of Santiago and

Cauayan and the municipalities of Alicia, Angadanan, Cabatuan, Cordon, Echague, Jones, Luna, Ramon, Reina Mercedes, San Agustin, San Guillermo, San Isidro and San Mateo, all in the province of Isabela.

**NATURE OF APPLICATION**

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

**STATEMENT OF FACTS**

4. Sometime in 2014, Applicant filed with the Honorable Commission an application for approval of the proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2014 - 095 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 2015, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	164.50
Distribution System Charge	PhP/kWh	0.4529	0.4360	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	-	45.75
Supply System Charge	PhP/kWh	0.5278	45.75	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	4.91	32.18	32.18
Metering System Charge	PhP/kWh	0.3146	-	-

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	159.81
Distribution System Charge	PhP/kWh	0.4400	0.4235	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	44.44	44.44
Supply System Charge	PhP/kWh	0.5127	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.77	31.26	31.26
Metering System Charge	PhP/kWh	0.3057	-	-

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 Second Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2012 to December 31, 2017. Having filed its initial application for DSM rate adjustment in 2014, the third regulatory year of the First Regulatory Period, the cooperative is filing the instant application in the current year 2017, the sixth regulatory year of the First Regulatory Period, for the proposed adjustment of its DSM rates to be implemented on the first to the third regulatory years of the Second Regulatory Period for the Second Entrant Electric Cooperatives under the TGP Rules;
8. Applicant's first TGP application under ERC Case No. 2014-095 RC is still pending evaluation of the Honorable Commission, but in spite thereof, 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. Under the TGP Rules, the concerned electric cooperative shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

$$TGP_B = TGP_n + TGP_{n+1} + TGP_{n+2}$$

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, herein 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%	0.36%	0.40%	0.04%	-0.36%
YEAR 2016	0.00%	-1.11%	0.70%	1.81%	1.11%
YEAR 2017	0.00%	0.55%	1.50%	0.95%	-0.55%
TOTAL				2.80%	0.20%

11. Utilizing the above values will result in adjustments in the cooperative's DSM Rates covering the first to third years of the Second Regulatory Period for electric cooperatives belonging to the Second Entrant Group, as follows:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			169.1060
Distribution System Charge	PhP/kWh	0.4656	0.4482	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo			
Supply System Charge	PhP/kWh	0.5426	47.0310	
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0475	33.0810	33.0810
Metering System Charge	PhP/kWh	0.3234		

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			160.1296
Distribution System Charge	PhP/kWh	0.4409	0.4243	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo			
Supply System Charge	PhP/kWh	0.5137	44.5289	44.5289
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.7795	31.3225	31.3225
Metering System Charge	PhP/kWh	0.3063		

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, effective January 1, 2018 and up to December 31, 2020.

**SUPPORTING DATA AND DOCUMENTS**

13. In support of the foregoing computations, Applicant is submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A to A-2	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 (2013-2016)
C	Billing Determinants Template (2013-2016 kWh Sales, No. of Customers and kW Demand)
D	Sample Bills per customer type (2013-2016)
E	Regional CPI (2013-2016)
F	RFSC Utilization (2014-2016)
G	Consumer Complaints Summary or Tracking Form (2014-2016)
H	Audited Financial Statements (2014-2016)

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY**

14. Applicant respectfully replays herein the foregoing allegations;

15. Applicant respectfully prays that it be allowed to implement the proposed rate adjustment starting January 1, 2018, considering that it is expressly prescribed under the TGP Rules' provision on Regulatory Period and Process, which provides in part, as follows:

**"2. Regulatory Period and Process**

2.1 On or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Periods, the electric cooperative may file before the Commission an application for a rate adjustment reflecting the values for the "I", "X" and "S" as determined in accordance with these rules. ***The initial tariff caps of the respective ECs shall be adjusted by the "I, "X" and "S" effective at the start of the Fourth Regulatory Year of the First Regulatory Period x x x*** (Emphasis ours)

16. Under the TGP Rules, the regulatory period is six (6) years for each entry Group. For the Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017 and the start of the Fourth Regulatory Year is January 1, 2015. Applicant belongs to the Second Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2018.
17. Considering the foregoing, it is respectfully prayed that Applicant be allowed to implement the proposed DSM Rates effective January 1, 2018, even while the instant application is pending evaluation of the Honorable Commission.

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

18. 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:

Annex Markings	Nature of Document
I	Judicial Affidavit in support of the motion for provisional authority
J and series	Proof of furnishing copies of the Application to the Sangguniang Bayan of Alicia and Sangguniang Panlalawigan of Isabela
K and series	Publication of the Application in a newspaper of general circulation in ISELCO 1'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, Applicant

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ISELCO 1 be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2018, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			169.1060
Distribution System Charge	PhP/kWh	0.4656	0.4482	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo			
Supply System Charge	PhP/kWh	0.5426	47.0310	
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0475	33.0810	33.0810
Metering System Charge	PhP/kWh	0.3234		

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			160.1296
Distribution System Charge	PhP/kWh	0.4409	0.4243	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo			
Supply System Charge	PhP/kWh	0.5137	44.5289	44.5289
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.7795	31.3225	31.3225
Metering System Charge	PhP/kWh	0.3063		

Other reliefs, just and equitable in the premises are likewise prayed for.

Finding the said *Application* 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 **30 May 2018 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at ISELCO I's principal office at Brgy. Victoria, Alicia, Isabela.**

Accordingly, ISELCO I 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, the City 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.

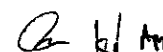
ISELCO I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application*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

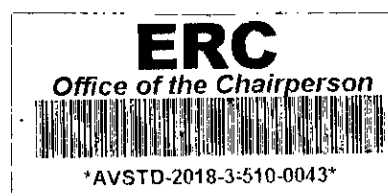
**SO ORDERED.**

Pasig City, 28 February 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS: MLMG/LSP/APV/  
IO\_2017-081 RC iselco 1



Copy Furnished:

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2. Engr. Virgilio L. Montano  
General Manager  
Isabela I Electric Cooperative, Inc. (ISELCO I)  
Brgy. Victoria, Alicia, Isabela
3. The Office of the Solicitor General  
234 Amorsolo Street, Legaspi Village, Makati City  
Metro Manila
4. The Commission on Audit  
Don Mariano Marcos Avenue  
Diliman, Quezon City, Metro Manila
5. The Committee on Energy  
Senate of the Philippines  
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. The Committee on Energy  
House of Representatives  
Batasan Hills, Quezon City, Metro Manila
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 Mayor  
Santiago City, Isabela
9. Office of the Local Government Legislative Body  
Santiago City, Isabela
10. Office of the Mayor  
Alicia, Isabela
11. Office of the Local Government Legislative Body  
Alicia, Isabela
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18. Office of the Mayor  
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20. Office of the Mayor  
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21. Office of the Local Government Legislative Body  
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22. Office of the Mayor  
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23. Office of the Local Government Legislative Body  
Luna, Isabela
24. Office of the Mayor  
Ramon, Isabela
25. Office of the Local Government Legislative Body  
Ramon, Isabela
26. Office of the Mayor  
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27. Office of the Local Government Legislative Body  
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28. Office of the Mayor  
San Agustin, Isabela
29. Office of the Local Government Legislative Body  
San Agustin, Isabela
30. Office of the Mayor  
San Guillermo, Isabela
31. Office of the Local Government Legislative Body  
San Guillermo, Isabela
32. Office of the Mayor  
San Isidro, Isabela

33. Office of the Local Government Legislative Body  
San Isidro, Isabela
34. Office of the Mayor  
San Mateo, Isabela
35. Office of the Local Government Legislative Body  
San Mateo, Isabela
36. Office of the Mayor  
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37. Office of the Local Government Legislative Body  
Cauayan City, Isabela
38. Office of the Governor  
Province of Isabela
39. Office of the Local Government Legislative Body  
Province of Isabela
40. Regulatory Operations Service  
Energy Regulatory Commission