

service in the municipalities of Las Nieves, Remedios Trinidad Romualdez, Santiago, Tubay, Magallanes, Jabonga, Kitcharao, Nasipit, Buenavista and Carmen, and the cities of Butuan and Cabadbaran, all in the Province of Agusan Del Norte;

NATURE OF THE APPLICATION

3. The instant Application is being filed for the approval of ANECO's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates to be made effective on 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 Rules), as well as other pertinent laws and rules;

STATEMENT OF FACTS

4. Sometime in year 2013, ANECO filed with the Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2013-120 RC.
5. In the said application, ANECO 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"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			180.2213
Distribution System Charge	PhP/kWh	0.4962	0.4777	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		50.1212	50.1212
Supply System Charge	PhP/kWh	0.5782		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3778	35.2570	35.2570
Metering System Charge	PhP/kWh	0.3447		

b. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			170.8380
Distribution System Charge	PhP/kWh	0.4703	0.4528	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.5116	47.5116
Supply System Charge	PhP/kWh	0.5481		

Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0978	33.4213	33.4213
Metering System Charge	PhP/kWh	0.3268		

6. Foregoing application was ANECO'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. ANECO belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. It filed its initial application for DSM rate adjustment in 2013 which is the third regulatory year of the First Regulatory Period. It is filing the instant application based on the tariff glide path on the fourth to sixth regulatory years of the First Regulatory Period or January 1, 2014 to December 31, 2016, for the proposed adjustment of its DSM rates to take effect on the first to third regulatory years of the Second Regulatory Period for the First Entrant Group under the TGP Rules, or January 1, 2017 to December 31, 2019.
8. ANECO's first TGP Application under ERC Case No. 2013-120 RC is still pending evaluation of the Honorable Commission however, it adopted and utilized 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, ANECO calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

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	"I"	"X"	"S"	TGP B	TGP B (Excluding "S")
Year 2014	2.67%	0.00%	2.10%	4.77%	2.67%
Year 2015	2.55%	4.28%	1.90%	0.17%	-1.73%
Year 2016	0.00%	1.32%	1.90%	0.58%	-1.32%
Total				5.52%	-0.38%

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

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			190.1629
Distribution System Charge	PhP/kWh	0.5235	0.5040	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		52.8861	52.8861
Supply System Charge	PhP/kWh	0.6101		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6745	37.2018	37.2018
Metering System Charge	PhP/kWh	0.3637		

12. Consequently, ANECO respectfully prays that it be allowed to implement the calculated DSM rates with Performance Incentive "S", effective January 1, 2017 and up to December 31, 2019.

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 No.	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 (2012-2015)
C	Billing Determinants Template (2012-2015) (kWh Sales, No. of Customers, kW Demand)
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)

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

1. ANECO respectfully repleads herein the foregoing allegations;
2. ANECO respectfully prays that it be allowed to implement either of the two (2) proposed alternative DSM Rates even while the instant application is pending, 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 and succeeding Regulatory Periods and the First Year of the Second Regulatory Period and succeeding Regulatory Periods. However, the adjustment for the First Year of the Second Regulatory Period and succeeding Regulatory Periods will be subject to the revised tariff caps calculated in accordance with Section 3 of these Rules.***

- [16.] Under the TGP Rules, the regulatory period is six (6) years for each entry Group. For the First Entrant Group, the first regulatory period is from January 1, 2011 to December 31, 2016 and the start of the Second Regulatory Period is January 1, 2017. Applicant belongs to the First Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2017;
- [17.] Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates during the pendency of the instant application, considering that the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations. Among the major factors that added to its operating costs is the implementation of the Sitio Energization Program (SEP) of the government consisting of massive extension of its distribution lines up to the remotest and far-flung areas which considerably increased its operations and maintenance costs and likewise resulted to increased system losses which the cooperative is constrained to absorb;

[18.] Further the rising cost of materials, tools, equipment, supplies, fuel and other costs incidental to its daily operations has considerably increased in the past several years and the funds being generated from the cooperative's DSM revenues granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), is no longer sufficient to cover those costs, and if not addressed accordingly with the adjustment of its rates, the cooperative's service to its consumers will be prejudiced;

[19.] Considering the foregoing, it is respectfully prayed that herein Applicant be allowed to implement the proposed DSM Rates while the instant application is pending evaluation of the Honorable Commission;

SUBMISSION OF PRE-FILING REQUIREMENTS

[20.] Finally in compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, Applicant is likewise submitting herewith the following documents, 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 Panlungsod of Butuan City and the Sangguniang Panlalawigan of Agusan del Norte
K and series	Proof of publication of the Application in a newspaper of general circulation ANECO's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after initial evaluation hereof and while the application is pending, Applicant ANECO be allowed to implement either of the alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, and after due notice and hearing, the said proposed rates be granted accordingly, to cover the period of January 1, 2017 to December 31, 2019, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			190.1629
Distribution System Charge	PhP/kWh	0.5235	0.5040	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		52.8861	52.8861
Supply System Charge	PhP/kWh	0.6101		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6745	37.2018	37.2018
Metering System Charge	PhP/kWh	0.3637		

[C.] EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			170.1825
Distribution System Charge	PhP/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.3293	47.3293
Supply System Charge	PhP/kWh	0.5460		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0783	33.2930	33.2930
Metering System Charge	PhP/kWh	0.3255		

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

Finding the said *Application* to be sufficient in form and 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 **21 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at ANECO's Principal Office, Km. 2, J.C. Aquino Avenue, Butuan City, Agusan Del Norte.**

Accordingly, ANECO 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 Governor, 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) 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;
- 4) Inform the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 5) 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
- 6) 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, ANECO 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 were 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 other means employed by ANECO to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the OSG, 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.

ANECO and all interested parties are also required to submit, at least five (5) days before the date of the 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 ANECO 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.

ANECO 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, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 28 January 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

Copy Furnished:

1. DECHAVEZ LERIOS-AMBOY AND EVANGELISTA LAW OFFICES
Counsel for Applicant ANECO
Unit 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. Agusan Del Norte Electric Cooperative, Inc. (ANECO) C. Bangoy Sr. St.,
Km. 2., J.C. Aquino Avenue, Butuan City, Agusan Del Norte;
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS bldg., Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. 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 City Mayor
Butuan, Agusan Del Norte
9. Office of the Local Government Unit (LGU) legislative body
Butuan, Agusan Del Norte
10. Office of the City Mayor
Cabadbaran, Agusan Del Norte
11. Office of the Local Government Unit (LGU) legislative body
Cabadbaran, Agusan Del Norte
12. Office of the Municipal Mayor
Las Nieves, Agusan Del Norte
13. Office of the Local Government Unit (LGU) legislative body
Las Nieves, Agusan Del Norte
14. Office of the Municipal Mayor
Remedios, Agusan Del Norte
15. Office of the Local Government Unit (LGU) legislative body
Remedios, Agusan Del Norte

16. Office of the Municipal Mayor
Trinidad, Agusan Del Norte
17. Office of the Local Government Unit (LGU) legislative body
Trinidad, Agusan Del Norte
18. Office of the Municipal Mayor
Romualdez, Agusan Del Norte
19. Office of the Local Government Unit (LGU) legislative body
Romualdez, Agusan Del Norte
20. Office of the Municipal Mayor
Santiago, Agusan Del Norte
21. Office of the Local Government Unit (LGU) legislative body
Santiago, Agusan Del Norte
22. Office of the Municipal Mayor
Tubay, Agusan Del Norte
23. Office of the Local Government Unit (LGU) legislative body
Tubay, Agusan Del Norte
24. Office of the Municipal Mayor
Magallanes, Agusan Del Norte
25. Office of the Local Government Unit (LGU) legislative body
Magallanes, Agusan Del Norte
26. Office of the Municipal Mayor
Jabonga, Agusan Del Norte
27. Office of the Local Government Unit (LGU) legislative body
Jabonga, Agusan Del Norte
28. Office of the Municipal Mayor
Kitcharao, Agusan Del Norte
29. Office of the Local Government Unit (LGU) legislative body
Kitcharao, Agusan Del Norte
30. Office of the Municipal Mayor
Nasipit, Agusan Del Norte
31. Office of the Local Government Unit (LGU) legislative body
Nasipit, Agusan Del Norte
32. Office of the Municipal Mayor
Buena Vista, Agusan Del Norte
33. Office of the Local Government Unit (LGU) legislative body
Buena Vista, Agusan Del Norte

34. Office of the Municipal Mayor
Carmen, Agusan Del Norte
35. Office of the Local Government Unit (LGU) legislative body
Carmen, Agusan Del Norte
36. Office of the Provincial Governor
Province of Agusan Del Norte
37. Office of the Local Government Unit (LGU) legislative body
Province of Agusan Del Norte
38. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City