

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE RATE
ADJUSTMENT IN
ACCORDANCE WITH THE
RULES GOVERNING THE
TARIFF GLIDE PATH
(TGP) PURSUANT TO
ARTICLE VII OF THE
RULES FOR SETTING THE
ELECTRIC COOPERATIVES
WHEELING RATES (RSEC-
WR),**

ERC CASE NO. 2014-047 RC

**NUEVA ECIJA II ELECTRIC
COOPERATIVE, INC. -
AREA 1 (NEECO II - AREA
1),**

Applicant.

D O C K E T E D
Date: JAN 24 2017
By: [Signature]

X-----X

ORDER

On 25 April 2014, Nueva Ecija II Electric Cooperative, Inc. - Area 1 (NEECO II - Area 1) filed an application dated 14 April 2014 for approval of the rate adjustment in accordance with the Rules Governing the Tariff Glide Path (TGP) pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (RSEC-WR) (Application).

In support of the said Application, NEECO II - Area 1 alleged the following:

1. That Applicant NEECO II AREA 1 is a non-stock, non-profit electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal main office address at Calipahan, Talavera, Nueva Ecija, where it may be served with summons and other legal processes, represented in this instance by its

General Manager Eulalia M. Castro, of legal age, Filipino, and with office address also at NEECO II Area 1 Main Office;

2. That herein applicant is the exclusive franchise holder issued by the National Electrification Commission (NEC) to operate an electric light and power services in the municipalities of the Province of Nueva Ecija, namely: Talavera, Lupao, Carrangalan, Aliaga, Quezon, Licab, Sto. Domingo, Science City of Muñoz, Guimba, and Talugtug;
3. That on 25 January 2010, the Honorable Commission provisionally approved NEECO II Area 1's Application for the Approval of an Adjustment in Rates Under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), with prayer for provisional authority in ERC Case No. 2009-097 RC;
4. That pursuant to Article VII Tariff Glide Path of the RSEC-WR, the Honorable Commission issue, adopted, and promulgated the Rules Governing the Movement to the Initial Tariffs of the Tariffs Caps during the Regulatory Period. Under these Rules, the Tariff Glide Path (TGP) will be determined by the following formula:

Tariff X (1 + Index "I" – Efficiency "X" + Performance Incentive "S")

Where:

- 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 ECs in setting their rates, and;
 - c. There shall be a performance incentive, "S", which shall reward or penalize the ECs for above or below standard performance, respectively
5. Based on the Rules of the Tariff Glide Path promulgated by the Honorable Commission, the index "I" was computed by NEECO II Area 1 as follows"

Particulars	Average CPI	Δ CPI	Total kWh Sales	GR	Difference	"I"
YEAR n-1 (2010)	121.20		107,883,786.00			
YEAR n (2011)	127.50	5.20%	108,499,212.00	0.57%	4.63%	4.63%
YEAR n+1 (2012)	131.90	3.45%	128,318,302.00	8.40%	-4.95%	0.00%
YEAR n+2 (2013)	135.40	2.65%	128,318,302.00	9.10%	-6.45%	0.00%

6. Likewise, NEECO II Area 1 calculated the efficiency factor "X" as follows:

Year: n - 1 (2010)

Particulars	Total Man Hours
Regular Employees	519,791
Contractual Employees	148,238
TOTAL	668,029
Full time equivalent man hours per year	2,080
FTE	321
Total number of billed connections/year end	85,810
CPE	267

"X"

Year: n (2011)

Particulars	Total Man Hours
Regular Employees	500,488
Contractual Employees	165,270
TOTAL	665,718
Full time equivalent man hours per year	2,080
FTE	320
Total number of billed connections/year end	90,347
CPE	282

3.96%
0.00%

zero - 1st year (1st regulatory period)

Year: n+1 (2012)

Particulars	Total Man Hours
Regular Employees	498,152
Contractual Employees	181,799
TOTAL	679,951
Full time equivalent man hours per year	2,080
FTE	327
Total number of billed connections/year end	95,152
CPE	291

2.18%
0.00%

zero - 2nd year (1st regulatory period)

Year: n+2 (2013)

Particulars	Total Man Hours
Regular Employees	495,189
Contractual Employees	202,250
TOTAL	697,438
Full time equivalent man hours per year	2,080
FTE	335
Total number of billed connections/year end	100,268
CPE	299

1.97%

7. Finally, NEECO II Area 1 also calculated the Performance Incentive "S" and determined as follows:

YEAR 2011	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
1/2 Strd Dev	6.89	715.39		
SL Cap			13.00	
Actual	11.67	807.03	11.45	
Difference	12.04	1,389.83	1.55	
% impact	1.00%	1.00%	2.50%	1.30%

YEAR 2012	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
½ Strd Dev	6.89	715.39		
SL Cap			13.00	
Actual	12.73	1,229.97	11.23	
Difference	10.98	966.89	1.77	
% impact	1.00%	1.00%	2.50%	1.30%

YEAR 2012	SAIFI	SAIDI	SL	"S"
Standard	23.71	2,196.86		
½ Strd Dev	6.89	715.39		
SL Cap			13.00	
Actual	21.38	2,320.86	11.57	
Difference	2.34	(124.00)	1.43	
% impact	0.00%	0.00%	2.50%	0.50%

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

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2011	4.63%	0.00%	1.30%	5.93%	4.63%
YEAR 2012	0.00%	0.00%	1.30%	1.30%	0.00%
YEAR 2013	0.76%	1.91%	0.50%	-1.41%	-1.91%
TOTAL				5.81%	2.71%

9. The above computations and calculations were made in accordance with the guidelines issued by the Honorable Commission, more specifically to the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), and;
10. That as part and parcel of this Application, attached hereto are detailed computations of the TGP, with supporting documents, duly marked as Annexes A, A1, A2, and A3.

PRAYER

WHEREFORE, premises considered, Applicant NEECO II Area 1 Electric Cooperative, Inc. (NEECO II Area1) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this Application be approved and authorize NEECO II Area 1 to include in its electric billings to its customers the rate at First (1st) Tariff Glide Path adjustment in

PhP/kWh, either including or excluding the Performance Incentive "S" as follows:

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2011	4.63%	0.00%	1.30%	5.93%	4.63%
YEAR 2012	0.00%	0.00%	1.30%	1.30%	0.00%
YEAR 2013	0.76%	1.91%	0.50%	-1.41%	-1.91%
TOTAL				5.81%	2.71%

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

Finding the said Application sufficient in substance with the required fees having been paid, the instant Application is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **22 February 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at the NEECO II - Area 1's principal office in Calipahan, Talavera, Nueva Ecija.**

Accordingly, NEECO II – Area 1 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 their 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 their 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 therefor, 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 NEECO II – Area 1 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 NEECO II - Area 1 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.

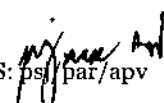
NEECO II - Area 1 must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 17 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman and CEO 

LS:  par/apv



Copy furnished:

1. **Atty. Arnido O. Inumberable**
Counsel for Applicant NEECO II - AREA 1
405 Elisa Street, U.E. Village, Cainta, Rizal
2. **Nueva Ecija II Electric Cooperative, Inc. - Area 1 (NEECO II Area 1)**
Applicant
Calipahan, Talavera, Nueva Ecija 3114
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City 1229
4. **Commission on Audit**
Commonwealth Avenue, Quezon City 1121
5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard, Pasay City 1308
6. **House Committee on Energy**
Batasan Hills, Quezon City 1126
7. **Office of the Provincial Governor**
Province of Nueva Ecija 3132
8. **Office of the LGU Legislative Body**
Province of Nueva Ecija 3132
9. **Office of the Municipal Mayor**
Talavera, Nueva Ecija 3114
10. **Office of the LGU Legislative Body**
Talavera, Nueva Ecija 3114
11. **Office of the Municipal Mayor**
Lupao, Nueva Ecija 3122
12. **Office of the LGU Legislative Body**
Lupao, Nueva Ecija 3122
13. **Office of the Municipal Mayor**
Carrangalan, Nueva Ecija 3123
14. **Office of the LGU Legislative Body**
Carrangalan, Nueva Ecija 3123
15. **Office of the Municipal Mayor**
Aliaga, Nueva Ecija 3111
16. **Office of the LGU Legislative Body**
Aliaga, Nueva Ecija 3111

17. **Office of the Municipal Mayor**
Quezon, Nueva Ecija 3113
18. **Office of the LGU Legislative Body**
Quezon, Nueva Ecija 3113
19. **Office of the Municipal Mayor**
Licab, Nueva Ecija 3112
20. **Office of the LGU Legislative Body**
Licab, Nueva Ecija 3112
21. **Office of the Municipal Mayor**
Sto. Domingo, Nueva Ecija 3133
22. **Office of the LGU Legislative Body**
Sto. Domingo, Nueva Ecija 3133
23. **Office of the City Mayor**
Science City of Muñoz, Nueva Ecija 3119
24. **Office of the LGU Legislative Body**
Science City of Muñoz, Nueva Ecija 3119
25. **Office of the Municipal Mayor**
Guimba, Nueva Ecija 3115
26. **Office of the LGU Legislative Body**
Guimba, Nueva Ecija 3115
27. **Office of the Municipal Mayor**
Talugtug, Nueva Ecija 3118
28. **Office of the LGU Legislative Body**
Talugtug, Nueva Ecija 3118
29. **Regulatory Operations Service**
Energy Regulatory Commission
17th Floor, Pacific Center Building,
San Miguel Avenue, Ortigas Center 1600,
Pasig City