

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADJUSTMENT IN RATES
PURSUANT TO THE TARIFF
GLIDE PATH (TGP) RULES,
WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2014-171 RC

**CAMARINES SUR IV
ELECTRIC COOPERATIVE,
INC. (CASURECO IV),**

Applicant.

X-----X

D O C K E T E D
Date: JAN 25, 2017
By: W

O R D E R

On 18 November 2014, Applicant Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV) filed an Application dated 16 April 2014 seeking the Commission's approval for the adjustment in its rates in accordance with the rules governing the tariff glide path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR).

CASURECO IV alleged the following in its Application:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Talojongon, Tigaon, Camarines Sur, represented in this instance by its General Manager, Atty. Veronica T. Briones, per Board Resolution attached hereto as Annex "A";

2. It is the exclusive franchise holder issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the municipalities of Ocampo, Tigaon, Sangay, Goa, San Jose, Lagonoy, Presentacion, Caramoan and Garchitorea, all in the Province of Camarines Sur;

3. CASURECO IV filed with the Honorable Commission an original and amended Applications on November 25, 2009 and

December 1, 2009 respectively, for Approval of Proposed Adjustment in its Rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);

4. The Honorable Commission approved the Application granting the cooperative the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			267.90
Distribution System Charge	PhP/kWh	0.8449	0.9259	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		40.15	40.15
Supply System Charge	PhP/kWh	0.7732	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.00	28.72	28.72
Metering System Charge	PhP/kWh	0.4569		

5. On 02 May 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR whereby during the regulatory period, the rate of the Electric Cooperatives (ECs) per group shall be adjusted using the following formula to wit:

$$\text{Tariff} \times (1 + \text{index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentives "S"})$$

The Index "I" shall be the escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load factor. There shall be an efficiency factor "X" to account for the operational efficiency of the ECs in setting their rates. There shall be a performance incentive "S" which shall reward or penalize the EC for above or below standard performance, respectively.

The TGP is intended as a cap and the EC may move up to the cap, if it is positive adjustment. If the cap is lower than the current average tariff, a reduction may be implemented.

6. The TGP is a rate adjustment mechanism which provides an opportunity for the EC's to adjust their rates once every three (3) years. The rate adjustments may occur at the start of the fourth year of the first Regulatory Period and every three years thereafter;

7. Under the TGP, 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. CASURECO IV belongs to the Second Entrant Group;

8. Further, under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the first to third years of the Regulatory Period to wit:

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

$$TGP_n = I_n - X_n + S_n$$

N= the first year of the Regulatory Period and Succeeding Regulatory Periods

Except that for the first two years of the First Regulatory Period. "X" will be equal to zero and thereafter shall not be less than zero. The TGP calculated for each of the three years will be summed to determine the possible rate adjustment the starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, CASURECO IV has calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"	"X"	"S"	TGP A	TGP A (excluding S)
YEAR 2011	7.09%	0.00%	-0.40%	6.69%	7.09%
YEAR 2012	0.00%	0.00%	0.40%	0.40%	0.00%
YEAR 2013	0.00%	0.00%	0.40%	0.40%	0.00%
TOTAL				7.49%	7.09%

10. Applying the above values resulted in adjustments on CASURECO IV's DSM Rates, as follows:

a.) WITH PERFORMANCE INCENTIVE "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			287.97
Distribution System Charge	PhP/kWh	0.9082	0.9953	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		43.16	43.16
Supply System Charge	PhP/kWh	0.8311	-	-

Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3700	30.87	30.87
Metering System Charge	PhP/kWh	0.4911		

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

b.) EXCLUDING PERFORMANCE INCENTIVE "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			286.90
Distribution System Charge	PhP/kWh	0.9048	0.9916	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		43.00	43.00
Supply System Charge	PhP/kWh	0.8280	-	-
Metering Charges:				
Retail Customer Charge	PhP/Customer/Mo.	5.3500	30.76	30.76
Metering System Charge	PhP/kWh	0.4892		

12. 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 2015, and up to the next regulatory reset;

13. In support of the foregoing computations, the cooperative is submitting herewith the following documents (original copies will be presented during the hearing, if required) which are being made integral parts hereof, to wit:

(a) Proposed TGP Calculations and supporting documents using the prescribed templates:

- (i) Index "I" Calculation as Annex "B";
- (ii) Efficiency Factor "X" Calculation as Annex "B-1";
- (iii) Performance Incentive "S" as Annex "B-2";

(b) MFSR (Section B & E) for years 2010 to 2013 as Annexes "C" to "C-3";

(c) Billing Determinants Template (kWh Sales, No of Customers, kW Demand for years 2010 to 2013 as Annexes "D" to "D-3";

- (d) Sample Bills (per customer type) for years 2010 to 2013 as Annexes “E” to “E-3”;
- (e) Regional CPI as Annex “F”;
- (f) RFSC/Reinvestment Fund Utilization for years 2011 to 2013 as Annexes “G” to “G-2”;
- (g) Consumer Complaints for years 2011 to 2013 as Annexes “H” to “H-2”; and
- (h) Audited Financial Statements for years 2010 to 2013 as Annexes “I” to “I-3”.
- (i) Detailed Computation of Man-hours for years 2010 to 2013 as Annexes “J” to “J-3”

14. 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:

- (a) Proof of furnishing copies of the Application to the Sangguniang Bayan of Tigaon and Sangguniang Panlalawigan of Camarines Sur as Annexes “K” to “K-1”; and
- (b) Publication of the Application in a newspaper of general circulation in CASURECO IV’s franchise area or where it principally operates, with affidavit of publication as Annexes “L” to “L-1”.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that pending evaluation of the instant application or after due notice and hearing, as the case may be, CASURECO IV be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, starting January 2015 and up to December 2017, to wit:

a.) WITH PERFORMANCE INCENTIVE “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/Kw			287.97
Distribution System Charge	PhP/kWh	0.9082	0.9953	-

Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		43.16	43.16
Supply System Charge	PhP/kWh	0.8311	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3700	30.87	30.87
Metering System Charge	PhP/kWh	0.4911		

b.) EXCLUDING PERFORMANCE INCENTIVE "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			286.90
Distribution System Charge	PhP/kWh	0.9048	0.9916	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		43.00	43.00
Supply System Charge	PhP/kWh	0.8280	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3500	30.76	30.76
Metering System Charge	PhP/kWh	0.4893		

Other relief, 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 **15 February 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at CASURECO IV's Main Office in Talojongon, Tigaon, Camarines Sur.**

Accordingly, CASURECO IV 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) 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 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 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:

- (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 thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

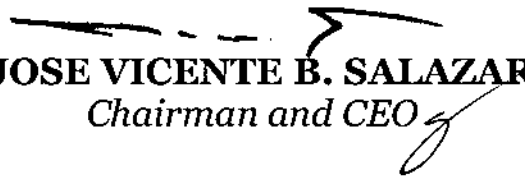
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

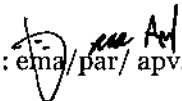
CASURECO IV must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application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

SO ORDERED.

Pasig City, 19 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

LS: /par/apv.2014-171 RC CASURECO IV.doc

Copy Furnished:



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Counsel for CASURECO IV
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2. Camarines Sur IV Electric Cooperative, Inc.
Talojongon, Tigaon, Camarines Sur
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 Committee on Energy
House of Representatives
Batasan Hills, Quezon City
6. Office of the Mayor
Ocampo, Camarines Sur
7. Office of the LGU Legislative Body
Ocampo, Camarines Sur
8. Office of the Mayor
Tigaon, Camarines Sur
9. Office of the LGU Legislative Body
Tigaon, Camarines Sur
10. Office of the Mayor
Sangay, Camarines Sur

11. Office of the LGU Legislative Body
Sangay, Camarines Sur
12. Office of the Mayor
Goa, Camarines Sur
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Goa, Camarines Sur
14. Office of the Mayor
San Jose, Camarines Sur
15. Office of the LGU Legislative Body
San Jose, Camarines Sur
16. Office of the Mayor
Lagonoy, Camarines Sur
17. Office of the LGU Legislative Body
Lagonoy, Camarines Sur
18. Office of the Mayor
Presentacion, Camarines Sur
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Caramoan, Camarines Sur
21. Office of the LGU Legislative Body
Caramoan, Camarines Sur
22. Office of the Mayor
Gatchitorena, Camarines Sur
23. Office of the LGU Legislative Body
Gatchitorena, Camarines Sur
24. Office of the Governor
Province of Camarines Sur
25. Office of the LGU Legislative Body
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26. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
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