

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. 2014-100 RC

**ILOILO I ELECTRIC
COOPERATIVE, INC. (ILECO
I),**

Applicant.

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D O C K E T E D
Date: JAN 30 2017
By: [Signature]

ORDER

On 01 July 2014, the Iloilo I Electric Cooperative Inc. (ILECO I) filed an *Application* for approval of adjustment in rates pursuant to the Tariff Glide Path (TGP) rules, with prayer for provisional authority.

ILECO I alleged the following in its *Application*:

1. Applicant 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. Namucon, Tigbauan, Iloilo;
2. It is engaged in the distribution of electric light and power in certain municipalities of the Province of Iloilo, namely: Cabatuan, Sta. Barbara, Pavia, Tigbauan, Guimbal, Tubungan, Igbaras, Leon, Miag-ao, San Joaquin, San Miguel, Alimodian, Oton, Leganes, and Maasin;
3. Sometime in 2009, ILECO 1 filed with the Honorable Commission an application for approval of its proposed adjustment in 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:

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5782
	Supply	PhP/kWh	0.6001
	Metering	PhP/kWh	0.4326
	Metering	PhP/meter/mo	5.00
LOW VOLTAGE	Distribution	PhP/kWh	0.7595
	Supply	PhP/cust/mo	42.92
	Metering	PhP/meter/mo	35.94
HIGHER VOLTAGE	Distribution	PhP/kW	219.68
	Supply	PhP/cust/mo	42.92
	Metering	PhP/meter/mo	35.94

5. On May 2, 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:

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

The Index "I", shall be an 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 a 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 ECs 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. ILECO 1 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 starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, ILECO 1 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 2012	2.26%	0.00%	2.30%	4.56%	2.26%
YEAR 2013	0.00%	0.00%	1.50%	1.50%	0.00%
YEAR 2014	0.00%	2.62%	0.70%	-1.92%	-2.62%
TOTAL				4.14%	-0.36%

10. Application of the above values resulted in adjustments on the cooperative's DSM Rates, as follows:

a) WITH PERFORMANCE INCENTIVE "S"

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.6021
	Supply	PhP/kWh	0.6249
	Metering	PhP/kWh	0.4505
	Metering	PhP/meter/mo	5.21
LOW VOLTAGE	Distribution	PhP/kWh	0.7909
	Supply	PhP/cust/mo	44.70
	Metering	PhP/meter/mo	37.43
HIGHER VOLTAGE	Distribution	PhP/kW	228.77
	Supply	PhP/cust/mo	44.70
	Metering	PhP/meter/mo	37.43

b) EXCLUDING PERFORMANCE INCENTIVE “S”

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5761
	Supply	PhP/kWh	0.5979
	Metering	PhP/kWh	0.4310
	Metering	PhP/meter/mo	4.98
LOW VOLTAGE	Distribution	PhP/kWh	0.7567
	Supply	PhP/cust/mo	42.76
	Metering	PhP/meter/mo	35.81
HIGHER VOLTAGE	Distribution	PhP/kW	218.88
	Supply	PhP/cust/mo	42.76
	Metering	PhP/meter/mo	35.81

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally during the pendency of the instant application or permanently by virtue of a final decision, starting January 2015, and up to December 31, 2017;

12. In support of the foregoing computations, the cooperative 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 prescribed templates: Index “I” Calculation Efficiency Factor “X” Calculation Performance Incentive “S” Calculation
B	MFSR - Sections B and E (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample Bills per customer type (2010-2013)
E	Regional CPI (2010-2013)
F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Complaint Tracking Form) (2011-2013)
H	Audited Financial Statements (2010- 2013)

13. 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 No.	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
J to J-1	Proof of furnishing copies of the Application to the Sangguniang Panlalawigan of the Province of Iloilo and the Sangguniang Bayan of the Municipality of Tigbauan, Iloilo.
K to K-2	Publication of the Application in a newspaper of general circulation in ILECO 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, as the case may be, ILECO 1 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:

c) WITH PERFORMANCE INCENTIVE "S"

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.6021
	Supply	PhP/kWh	0.6249
	Metering	PhP/kWh	0.4505
	Metering	PhP/meter/mo	5.21
LOW VOLTAGE	Distribution	PhP/kWh	0.7909
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d) EXCLUDING PERFORMANCE INCENTIVE "S"

Type of Consumer	Particulars	Unit	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.5761
	Supply	PhP/kWh	0.5979
	Metering	PhP/kWh	0.4310
	Metering	PhP/meter/mo	4.98
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	Metering	PhP/meter/mo	35.81
HIGHER VOLTAGE	Distribution	PhP/kW	218.88
	Supply	PhP/cust/mo	42.76
	Metering	PhP/meter/mo	35.81

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 **08 March 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at ILECO I's principal office at Brgy. Namucon, Tigbauan, Iloilo.**

Accordingly, ILECO 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 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 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.

ILECO I 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, 19 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:

JOSE VICENTE B. SALAZAR
Chairman and CEO

ERC
Office of the Chairman



A-2017-023-OC-08208

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COPY FURNISHED:

1. Iloilo I Electric Cooperative, Inc. (ILECO I)
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Pear Drive, Ortigas Center, Pasig City
3. Office of the Municipal Mayor
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4. Office of the Municipal Mayor
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5. Office of the Municipal Mayor
Cabatuan, Iloilo
6. Office of the Municipal Mayor
Guimbal, Iloilo
7. Office of the Municipal Mayor
Igaras, Iloilo
8. Office of the Municipal Mayor
Leganes, Iloilo
9. Office of the Municipal Mayor
Leon, Iloilo
10. Office of the Municipal Mayor
Maasin, Iloilo
11. Office of the Municipal Mayor
Miag-ao, Iloilo
12. Office of the Municipal Mayor
Oton, Iloilo
13. Office of the Municipal Mayor
Pavia, Iloilo
14. Office of the Municipal Mayor
San Joaquin, Iloilo
15. Office of the Municipal Mayor
San Miguel, Iloilo
16. Office of the Municipal Mayor
Santa Barbara, Iloilo
17. Office of the Municipal Mayor
Tubungan, Iloilo
18. Office of the LGU Legislative Body
Tigbauan, Iloilo
19. Office of the LGU Legislative Body
Alimodian, Iloilo
20. Office of the LGU Legislative Body
Cabatuan, Iloilo
21. Office of the LGU Legislative Body

Guimbal, Iloilo

22. Office of the LGU Legislative Body
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San Joaquin, Iloilo
30. Office of the LGU Legislative Body
San Miguel, Iloilo
31. Office of the LGU Legislative Body
Santa Barbara, Iloilo
32. Office of the LGU Legislative Body
Tubungan, Iloilo
33. Office of the Governor
Province of Iloilo
34. Office of the LGU Legislative Body
Province of Iloilo
35. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
36. Commission on Audit
Commonwealth Avenue, Quezon City
37. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
38. House Committee on Energy
Batasan Hills, Quezon City
39. 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
40. Regulatory Operations Service
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City