

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 RULES (TGP),
WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2014 -101 RC

**LA UNION ELECTRIC
COOPERATIVE, INC.
(LUELCO),**

Applicant.

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D O C K E T E D

Date: JAN 30 2017

By: [Signature]

ORDER

On 01 July 2014, La Union Electric Cooperative, Inc. (LUELCO) filed an Application seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

LUELCO 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 offices at Brgy. Sta. Rita East, Aringay, La Union;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of San Fernando and all municipalities in the Province of La Union, namely: Agoo, Aringay, Bacnotan, Bagulin, Balaoan, Bangar, Bauang, Burgos, Caba, Luna, Naguilian, Pugo, Rosario, Sto. Tomas, Tubao, San Gabriel, San Juan, Santol and Sudipen, and the municipality of Sison in the Province of Pangasinan.
3. Sometime in 2009, LUELCO 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. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CUSTOMER TYPE	UNITS	RATE		
		DISTRIBUTION	SUPPLY	METERING
Residential	PhP/kWh	0.5782	0.6001	0.4326
	PhP/Meter/Mo.			5.00
Low Voltage	PhP/kWh	0.7595		
	PhP/Customer/Mo		42.92	
	PhP/Meter/Mo.			35.94
Higher Voltage	PhP/Kw	219.68		
	PhP/Customer/Mo.		42.92	
	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:

Tariff x (1+ index "I"-Efficiency Factor "X" + 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. LUELCO 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 their 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, LUELCO 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	3.10%	0.00%	2.70%	5.80%	3.10%
Year 2013	0.00%	0.00%	2.10%	2.10%	0.00%
Year 2014	0.00%	5.28%	2.70%	-2.58%	-5.28%
Net Results				5.32%	-2.18%

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

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.37
Distribution System Charge	PhP/kWh	0.6090	0.7999	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.20	45.20
Supply System Charge	PhP/kWh	0.6320		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.27	37.85	37.85
Metering System Charge	PhP/kWh	0.4556		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.89
Distribution System Charge	PhP/kWh	0.5656	0.7429	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.98	41.98
Supply System Charge	PhP/kWh	0.5870		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.89	35.16	35.16
Metering System Charge	PhP/kWh	0.4232		

11. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates to be made effective 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 the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (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 (Summary or 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	Judicial Affidavit in Support of the Prayer for Provisional Authority

J to J-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Aringay and Sangguniang Panlalawigan of La Union
K to K-2	Publication of the Application in a newspaper of general circulation in LUELCO's franchise area or where it principally operates, with Affidavit of Publication

14. It most respectfully prayed that pending evaluation of the instant application or after due notice and hearing, as the case may be, LUELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 1, 2015 and up to December 31, 2017, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			231.37
Distribution System Charge	PhP/kWh	0.6090	0.7999	
Supply Charges:				
Retail Customer Charge	PhP/Customer/ Mo		45.20	45.20
Supply System Charge	PhP/kWh	0.6320		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.27	37.85	37.85
Metering System Charge	PhP/kWh	0.4556		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			214.89
Distribution System Charge	PhP/kWh	0.5656	0.7429	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		41.98	41.98
Supply System Charge	PhP/kWh	0.5870		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.89	35.16	35.16
Metering System Charge	PhP/kWh	0.4232		

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 **4 April 2017 at nine o'clock in the morning (9:00 A.M.), at LUELCO's principal office at Sta. Rita East, Aringay, La Union.**

Accordingly, LUELCO 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.

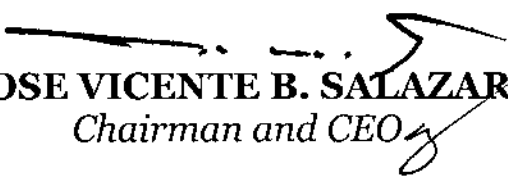
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

LUELCO 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/SLAN/ARG/PAR/APV

COPY FURNISHED:

1. La Union Electric Cooperative, Inc. (LUELCO)
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Counsel for Applicant
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3. Office of the Mayor
City of San Fernando
4. Office of the LGU legislative body
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13. Office of the Mayor
Balaoan, La Union
14. Office of the LGU legislative body
Balaoan, La Union
15. Office of the Mayor
Bangar, La Union

ERC
Office of the Chairman


A-2017-023-OC-08214

16. Office of the LGU legislative body
Bangar, La Union
17. Office of the Mayor
Bauang, La Union
18. Office of the LGU legislative body
Bauang, La Union
19. Office of the Mayor
Burgos, La Union
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27. Office of the Mayor
Pugo, La Union
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29. Office of the Mayor
Rosario, La Union
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31. Office of the Mayor
Sto. Tomas, la Union
32. Office of the LGU legislative body
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33. Office of the Mayor
Tubao, La Union
34. Office of the LGU legislative body
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35. Office of the Mayor
San Gabriel, La Union
36. Office of the LGU legislative body
San Gabriel, La Union
37. Office of the Mayor
San Juan, La Union
38. Office of the LGU legislative body
San Juan, La Union

39. Office of the Mayor
Santol, La union
40. Office of the LGU legislative body
Santol, La Union
41. Office of the Mayor
Sudipen, La union
42. Office of the LGU legislative body
Sudipen, La Union
43. Office of the Mayor
Sison, Pangasinan
44. Office of the LGU legislative body
Sison, Pangasinan
45. Office of the Governor
Pangasinan
46. Office of the LGU legislative body
Province of Pangasinan
47. Office of the Governor
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48. Office of the LGU legislative body
Province of La Union
49. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
50. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
51. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
52. House Committee on Energy
Batasan Hills, Quezon City
53. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner Park Avenue,
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54. Regulatory Operations Service (ROS)
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