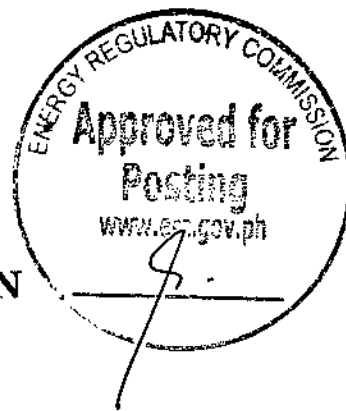


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



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

**ERC CASE NO. 2015-130 RC**

**QUIRINO ELECTRIC  
COOPERATIVE, INC.  
(QUIRELCO),  
Applicant.**

X-----X

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

**ORDER**

On 10 July 2015, Quirino Electric Cooperative, Inc. (QUIRELCO) filed an application dated 18 June 2015 seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

QUIRELCO alleged the following in its Application:

**THE APPLICANT**

1. QUIRELCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal office address at Aurora East, Diffun, Quirino;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power service in the municipalities of Diffun, Cabarroguis, Saguday, Aglipay, Maddela, and Nagtipunan, all in the Province of Quirino;

**THE ANTECEDENT FACTS**

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)
4. A regulatory framework is envisioned under the RSEC-WR whereby an Initial Tariff and Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. Pursuant to the RSEC-WR, in 2009, QUIRELCO filed with the Honorable Commission an application for approval of its proposed adjustment in rates, docketed as ERC Case No. 2009-089 RC;
6. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the proposed rates in three-year tranches, with the following rate caps or initial tariffs on the Distribution, Supply, and Metering (DSM) Charges, among others, being implemented starting at the end of the transition period, for residential and low voltage customers, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
<b>Distribution Charges</b>			
Demand Charge	PhP/kWh		
Distribution System Charge	PhP/kWh	1.0557	1.1577
<b>Supply Charges:</b>			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
<b>Metering Charges:</b>			
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12
Metering System Charge	PhP/kWh	0.5792	

7. On the other hand, Article 7 of RSEC-WR provides that during the regulatory period, the rate of the ECs per group shall be adjusted using the 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.

**LEGAL BASIS FOR THE APPLICATION**

**A. The Tariff Glid Path Rules**

8. On 2 May 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR;
9. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates every three (3) years. The rate adjustment may occur at the start of the fourth year of the Regulatory Period and every three years thereafter;
10. Under the TGP, the regulatory period is six (6) years for each entry Group. For Second Entrant Group, the first regulatory period is from 1 January 2012 to 31 December 2017. CAMELCO belongs to the Second Entrant Group;
11. 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 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.

**B. The RSEC-WR**

12. Under Article 3.1 of the RSEC-WR, for electric cooperatives belonging to Group A which QUIRELCO belongs to, the initial DSM Tariffs for Higher Voltage Customers are as follows, to wit:

Particulars	Units	Distribution	Supply	Metering
Higher Voltage	PhP/kWh PhP/cust/mo	302.51	42.82	29.12

13. However, as noted in the Table in Paragraph 6 above, the rates provisionally granted to QUIRELCO under ERC Case

No. 2009-089 RC did not include rates for Higher Voltage Customers;

14. Its application under ERC Case No. 2009-089 RC included proposed rates for higher voltage customers. However, at the time of filing said application, QUIRELCO did not have any existing customers which could be classified as Higher Voltage Customers;
15. However, in the meantime, a big load customer emerged in QUIRELCO's franchise area, which should be properly classified as higher voltage customer;
16. Accordingly, necessity requires that QUIRELCO be provided with approved DSM rates for higher voltage customers and likewise the corresponding TGP rate;
17. Hence, QUIRELCO includes in the instant application a proposed adjustment in the DSM rates for higher voltage customers pursuant to TGP Rules.

**THE PROPOSED RATE ADJUSTMENT**

18. Applying the methodology embodied in the TGP Rules, QUIRELCO 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 2013	0.00%	0.00%	2.0%	2.0%	0.00%
YEAR 2014	0.00%	0.00%	1.60%	1.60%	0.00%
YEAR 2015	0.00%	0.00%	1.60%	1.60%	0.00%
<b>TOTAL</b>				<b>5.20%</b>	<b>0.00%</b>

19. Applying the above values resulted in adjustments on QUIRELCO'S DSM Rates for residential, low voltage, and higher voltage customers, as follows:

**A. WITH PERFORMANCE INCENTIVE "S"**

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			318.24
Distribution System Charge	PhP/kWh	1.1106	1.2179	
<b>Supply Charges</b>				
Retail Customer Charge	PhP/Customer/Mo		45.05	45.05
Supply System Charge	PhP/kWh	1.0817		
<b>Metering Charges</b>				
Retail Customer Charge	PhP/Meter/Mo	5.26	30.63	30.63
Metering System Charge	PhP/kWh	0.6093		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			302.51
Distribution System Charge	PhP/kWh	1.0557	1.1577	
Supply Charges				
Retail Customer Charge	PhP/Customer/Mo		42.82	42.82
Supply System Charge	PhP/kWh	1.0282		
Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12	29.12
Metering System Charge	PhP/kWh	0.5792		

20. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

**SUPPORTING DATA AND DOCUMENTS**

21. In support of the foregoing computations, the cooperative is submitting herewith the following data and documents, which are being made integral parts hereof, to wit:

Annex	Nature of Document
	Proposed TGP calculation and supporting documents using the prescribed templates:
A	Index "I" calculation
A-1	Efficiency Factor "X" Calculation
A-2	Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010-2014)
D	Sample Bills (per customer type) (2010-2014)
E	Regional CPI (2011-2014)
F	RFSC/Reinvestment Fund Utilization (2012-2014)
G	Consumer Complaints (Summary of Tracking Form) (2012-2014)
H	Audited Financial Statements (2012-2014)

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

22. Applicant repleads the foregoing allegations as may be material herein;
23. Applicant's current DSM rates for residential and low voltage customers as provisionally granted by the Honorable Commission in ERC Case No. 2009-089 RC were

implemented by the cooperative in three (3) yearly tranches, which started way back in January 2010;

24. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as certain governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of President Benigno C. Aquino III, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs, not to mention the increased system loss which the cooperative is likely to absorb. All these costs were not duly provided for in its current rates and the general funds were being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;
25. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
26. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2016;
27. Furthermore, since the cooperative has already an existing Higher Voltage Customer, proper rates therefor should be provided pending evaluation of the instant application;
28. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective 1 January 2016;

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

29. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex	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 Bayan of Diffun and Sangguniang Panlalawigan of Quirino
K and series	Proof of Publication of the Application in a newspaper of general circulation in QUIRELCO's franchise area or where it principally operates.

**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, QUIRELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply, and Metering (DSM) Charges, for residential, low voltage, and higher voltage customers, respectively, effective January 1, 2016, to wit:

**A. WITH PERFORMANCE INCENTIVE "S"**

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			318.24
Distribution System Charge	PhP/kWh	1.1106	1.2179	
<b>Supply Charges</b>				
Retail Customer Charge	PhP/Customer/Mo		45.05	45.05
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<b>Metering Charges</b>				
Retail Customer Charge	PhP/Meter/Mo	5.26	30.63	30.63
Metering System Charge	PhP/kWh	0.6093		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			302.51
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<b>Supply Charges</b>				
Retail Customer Charge	PhP/Customer/Mo		42.82	42.82
Supply System Charge	PhP/kWh	1.0282		
<b>Metering Charges</b>				
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12	29.12
Metering System Charge	PhP/kWh	0.5792		

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 **1 March 2017 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at QUIRELCO's principal office in Aurora East, Diffun, Quirino.**

Accordingly, QUIRELCO 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 QUIRELCO 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.

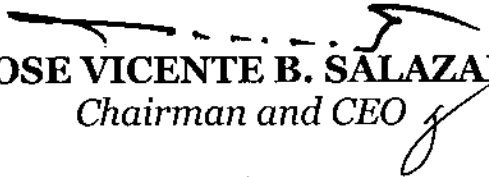
Failure of QUIRELCO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.


QUIRELCO 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, 18 January 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*

LS  par/apv



Copy furnished:

1. Lerios – Amboy Pingol & Gonzales Law Offices  
*Counsel for Applicant QUIRELCO*  
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Pearl Drive, Ortigas Center, Pasig City 1605
2. Quirino Electric Cooperative, Inc. (QUIRELCO)  
*Applicant*  
Aurora East, Diffun, Quirino 3401
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 Quirino 3400
8. Office of the LGU Legislative Body  
Province of Quirino 3400
9. Office of the Municipal Mayor  
Diffun, Quirino 3401
10. Office of the LGU Legislative Body  
Diffun, Quirino 3401
11. Office of the Municipal Mayor  
Saguday, Quirino 3402
12. Office of the LGU Legislative Body  
Saguday, Quirino 3402
13. Office of the Municipal Mayor  
Cabarroguis, Quirino 3400
14. Office of the LGU Legislative Body  
Cabarroguis, Quirino 3400
15. Office of the Municipal Mayor  
Aglipay, Quirino 3403
16. Office of the LGU Legislative Body  
Aglipay, Quirino 3403
17. Office of the Municipal Mayor  
Maddela, Quirino 3404
18. Office of the LGU Legislative Body  
Maddela, Quirino 3404
19. Office of the Municipal Mayor  
Nagtipunan, Quirino 3405
20. Office of the LGU Legislative Body  
Nagtipunan, Quirino 3405
21. Philippine Chamber of Commerce and Industry  
3rd Floor, Commerce and Industry Plaza,  
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22. Regulatory Operations Service  
Energy Regulatory Commission  
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Pasig City