

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. 2015-080 RC

**GUIMARAS ELECTRIC
COOPERATIVE, INC.
(GUIMELCO),**

Applicant.

X-----X

D O C K E T E D
Date: **FEB 03 2017**
By: **VV**

ORDER

On 28 April 2015, applicant Guimaras Electric Cooperative, Inc. (GUIMELCO) filed an application dated 20 April 2015 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) with prayer for the issuance of provisional authority.

GUIMELCO alleged the following in its application:

1. GUIMELCO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at San Miguel, Jordan, Guimaras;

2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the five (5) municipalities of the Province of Guimaras, namely: Buenavista, Jordan, Nueva Valencia, San Lorenzo and Sibunag;

THE ANTECEDENT RULES AND FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC- WR);

4. The regulatory framework envisioned under the RSEC- WR is that an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;

5. Pursuant to the RSEC-WR, in 2009, GUIMELCO filed with the Honorable Commission an application for approval of proposed adjustment in its rates, docketed as ERC Case No. 2009-130 RC;

6. The Honorable Commission approved the application, granting the cooperative at the end of the transition period, the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, for Residential and Low Voltage Customers, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW	-	-
Distribution System	PhP/kWh	1.0557	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/	-	42.8200
Supply System Charge	PhP/kWh	1.0282	-
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.0000	29.1200
Metering System	PhP/kWh	0.5792	-

7. Article 7 of the RSEC-WR provides that during the regulatory period, the rate of the 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.

LEGAL BASIS FOR THE APPLICATION

A. The Tariff Glide Path Rules

8. On May 2, 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 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;

10. Under the TGP, the regulatory period is six (6) years for each entry group. For the Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018. GUIMELCO belongs to the Third 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:

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

$$TGP_n = \ln - X_n + S_n$$

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.

b. The RSEC-WR

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

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

13. As noted in Paragraph 6 above however, the rates granted to GUIMELCO do not include rates for Higher Voltage Customers;

14. The reason for the non-inclusion was that, at the time of filing said application, GUIMELCO did not have any existing customers which could be classified as Higher Voltage Customers, and the cooperative was not expecting to have in the near future, any customers which would fall within the category of Higher Voltage hence, the exclusion in said application for approval of rates for higher voltage customers;

15. However, it is noted that the development of the Province of Guimaras is fast growing, and it is expected that big load customers will soon rise in GUIMELCO's franchise area;

16. Accordingly, necessity requires that GUIMELCO be ready with approved and proper DSM rates for higher voltage customers as the latter eventually comes in;

17. Hence, GUIMELCO includes in the instant application a proposed adjustment in the DSM rates for Higher Voltage Customers as embodied in the RSEC-WR.

THE PROPOSED RATE ADJUSTMENT

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

	"I"	"X"	"S"	TGPA	TGPA (Excluding "S")
Year 2013	0.00%	0.00%	2.50%	2.50%	0.00%
Year 2014	0.00%	0.00%	2.00%	2.00%	0.00%
Year 2015	3.08%	0.00%	2.00%	5.08%	3.08%
Net Results				9.58%	3.08%

19. Applying the above values pursuant to the TGP Rules resulted in adjustments on GUIMELCO's DSM Rates for Residential and Low Voltage Customers, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	331.4800
Distribution System Charge	PhP/kWh	1.1568	1.2686	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	46.9200	46.9200

Supply System Charge	PhP/kWh	1.1267	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.4800	31.9100	31.9100
Metering System Charge	PhP/kWh	0.6347	-	-

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	331.8100
Distribution System Charge	PhP/kWh	1.0882	1.1933	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	44.1400	44.1400
Supply System Charge	PhP/kWh	1.0598	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.1500	30.0200	30.0200
Metering System Charge	PhP/kWh	0.5970	-	-

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 Documents
	Proposed TGP Calculation and supporting documents using the prescribed templates:
A	Index "I" Calculation
A-2	Efficiency Factor "X" Calculation
A-3	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 or Tracking Form) (2012-2014)
H	Audited Financial Statements (2010-2014)

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 Lower Voltage Customers as granted by the Honorable Commission based on the RESC-WR, 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 to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of the Aquino government, 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 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, Higher Voltage Customers might come in while the application is pending evaluation of the Honorable Commission;

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 January 1, 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 Jordan and Sangguniang Panlalawigan of Guimaras
K and series	Proof of publication of the Application in a newspaper of general circulation in GUIMELCO's franchise area or where its 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, GUIMELCO be allowed to implement effective January 1, 2016 either of the following two (2) alternative proposed new rates for Distribution, Supply and Metering (DSM) Charges for Residential, Low Voltage and Higher Voltage Customers, to wit :

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	331.4800
Distribution System Charge	PhP/kWh	1.1568	1.2686	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	46.9200	46.9200
Supply System Charge	PhP/kWh	1.1267	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.4800	31.9100	31.9100
Metering System Charge	PhP/kWh	0.6347	-	-

C) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	311.8100
Distribution System Charge	PhP/kWh	1.0882	1.1933	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	44.1400	44.1400
Supply System Charge	PhP/kWh	1.0598	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.1500	30.0200	30.0200
Metering System Charge	PhP/kWh	0.5970	-	-

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 **09 March 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at GUIMELCO's Main Office in San Miguel, Jordan, Guimaras.**

Accordingly, GUIMELCO 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 or 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.

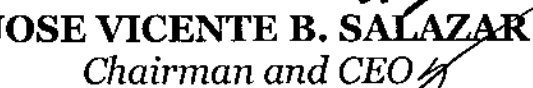
Failure of applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

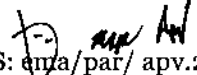
GUIMELCO must also be prepared to make an expository presentation of the instant application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application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

SO ORDERED.

Pasig City, 30 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

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ERC
Office of the Chairman



B-2017-001-OC-08307

Copy Furnished:

1. Atty. Marvey Jay A. Gonzales
Counsel for GUIMELCO
Units 1609-1610, Tycoon Centre, Pearl Drive,
Ortigas Center, Pasig City
2. Guimaras Electric Cooperative, Inc.
San Miguel, Jordan, Guimaras
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
Buena Vista, Guimaras
7. Office of the LGU Legislative Body
Buena Vista, Guimaras
8. Office of the Mayor
Jordan, Guimaras
9. Office of the LGU Legislative Body
Jordan, Guimaras
10. Office of the Mayor
Nueva Valencia, Guimaras
11. Office of the LGU Legislative Body
Nueva Valencia, Guimaras
12. Office of the Mayor
San Lorenzo, Guimaras
13. Office of the LGU Legislative Body
San Lorenzo, Guimaras
14. Office of the Mayor
Sibunag, Guimaras
15. Office of the LGU Legislative Body
Sibunag, Guimaras
16. Office of the Governor
Province of Guimaras
17. Office of the LGU Legislative Body
Province of Guimaras
18. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
19. Regulatory Operations Service (TGP Group)
17/F, Pacific Center Bldg., San Miguel Ave.,
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