

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. 2015-126 RC

**NORTHERN SAMAR
ELECTRIC COOPERATIVE,
INC. (NORSAMELCO),**

Applicant.

X-----X

D O C K E T E D

Date: **FEB 06 2017**

By: **M**

ORDER

On 30 June 2015, applicant Northern Samar Electric Cooperative, Inc. (NORSAMELCO) filed an application dated 29 June 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.

NORSAMELCO alleged the following in its application:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Magsaysay, Bobon, Northern Samar;
2. It is the holder of an exclusive franchise issued by the National Electrification Administration (NEA), to operate an electric light and power distribution service in the (24) municipalities, namely the municipalities of San Isidro, Victoria, Allen, Lavezares, Rosario, San Jose, Bobon, Lope de Vega, Mondragon, Catarman, San Vicente, Capul, San Antonio, Biri, San Roque, Pambujan, Silvino, Lobos, Laoang, Catubig, Las Navas, Palapag, Mapanas, Gamay, and Lapinig all in the province of Northern Samar;

3. NORSAMELCO filed with the Honorable Commission an application for approval of the proposed adjustment in its 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 of its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

| CURRENT RATES | | Residential | Low Voltage | High Voltage |
|-----------------------------|------------------|-------------|-------------|--------------|
| DISTRIBUTION CHARGES | | | | |
| Demand Charge | Php/kW | | | |
| Distribution System Charge | Php/kWh | 0.8449 | 0.9259 | |
| SUPPLY CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | | 40.15 | |
| Supply System Charge | Php/kWh | 0.7732 | | |
| METERING CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | 5.00 | 28.72 | |
| Metering System Charge | Php/kWh | 0.4569 | | |

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 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 every three (3) years. The rate adjustment 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 Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2017. NORSAMELCO belongs to the Third 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:

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

$$TGP_n = I_n - X_n + S_n$$

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, NORSAMELCO 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% | 0.40% | 0.40% | 0.00% |
| YEAR 2014 | 0.00% | 0.00% | 0.40% | 0.40% | 0.00% |
| YEAR 2015 | 8.38% | 4.20% | 0.00% | 4.18% | 4.18% |
| TOTAL | | | | 3.38% | 4.18% |

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

| TGP - A | | Residential | Low Voltage | High Voltage |
|-----------------------------|------------------|-------------|-------------|--------------|
| DISTRIBUTION CHARGES | | | | |
| Demand Charge | Php/kW | | | |
| Distribution System Charge | Php/kWh | 0.8735 | 0.9572 | |
| SUPPLY CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | | 41.51 | |
| Supply System Charge | Php/kWh | 0.7994 | | |
| METERING CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | 5.17 | 29.69 | |
| Metering System Charge | Php/kWh | 0.4724 | | |

| TGP - A (excluding "S") | | Residential | Low Voltage | High Voltage |
|-----------------------------|------------------|-------------|-------------|--------------|
| DISTRIBUTION CHARGES | | | | |
| Demand Charge | Php/kW | | | |
| Distribution System Charge | Php/kWh | 0.8802 | 0.9646 | |
| SUPPLY CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | | 41.83 | |
| Supply System Charge | Php/kWh | 0.8055 | | |
| METERING CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | 5.21 | 29.92 | |
| Metering System Charge | Php/kWh | 0.4760 | | |

11. 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 2016, and up to the next regulatory reset;
12. In support of the forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
 - A. TGP Calculations
 - a.1 Index "I" Calculations
 - a.2 Efficiency Factor "X" Calculations
 - a.3 Performance Incentive "S"
 - B. Other Documents
 - b.1 MFSR Sec. B & E
 - b.2 Billing Determinants
 - b.3 Sample Bills
 - b.4 Regional CPI
 - b.5 RFSC/Reinvestment Fund Utilization
 - b.6 Summary of Consumer Complaints
 - b.7 Audited Financial Statements

P R A Y E R

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application of after due notice and hearing, as the case may be, NORSAMELCO 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:

With Performance Incentive "S"

| TGP - A | | Residential | Low Voltage | High Voltage |
|-----------------------------|---------|-------------|-------------|--------------|
| DISTRIBUTION CHARGES | | | | |
| Demand Charge | Php/kW | | | |
| Distribution System Charge | Php/kWh | 0.8735 | 0.9572 | |

| | | | | |
|--------------------------|------------------|--------|-------|--|
| | | | | |
| SUPPLY CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | | 41.51 | |
| Supply System Charge | Php/kWh | 0.7994 | | |
| METERING CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | 5.17 | 29.69 | |
| Metering System Charge | Php/kWh | 0.4724 | | |

Excluding "S"

| TGP - A (excluding "S") | | Residential | Low Voltage | High Voltage |
|-----------------------------|------------------|-------------|-------------|--------------|
| DISTRIBUTION CHARGES | | | | |
| Demand Charge | Php/kW | | | |
| Distribution System Charge | Php/kWh | 0.8802 | 0.9646 | |
| SUPPLY CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | | 41.83 | |
| Supply System Charge | Php/kWh | 0.8055 | | |
| METERING CHARGES: | | | | |
| Retail Customer Charge | PhP/Customer/Mo. | 5.21 | 29.92 | |
| Metering System Charge | Php/kWh | 0.4760 | | |

Other relief, just and equitable, is 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 **07 March 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at NORSAMELCO's Main Office in Magsaysay, Bobon, Northern Samar.**

Accordingly, NORSAMELCO 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.

NORSAMELCO 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

LS: ama/par/apv.2015-126 RC NORSAMELCO.doc



Copy Furnished:

1. Atty. Zenon Suarez
Counsel for NORSAMELCO
Rm. 601, Web-Jet Bldg. 64 Quezon Ave.
cor. MBA St., Quezon City
2. Northern Samar Electric Cooperative, Inc.
Magsaysay, Bobon, Northern Samar
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
7. Office of the Mayor
San Antonio, N. Samar
8. Office of the LGU Legislative Body
San Antonio, N. Samar
9. Office of the Mayor
Allen, N. Samar
10. Office of the LGU Legislative Body
Allen, N. Samar
11. Office of the Mayor
Bobon, N. Samar

12. Office of the LGU Legislative Body
Bobon, N. Samar
13. Office of the Mayor
Silvino Lobos, N. Samar
14. Office of the LGU Legislative Body
Silvino Lobos, N. Samar
15. Office of the Mayor
Mapanas, N. Samar
16. Office of the LGU Legislative Body
Mapanas, N. Samar
17. Office of the Mayor
Capul, N. Samar
18. Office of the LGU Legislative Body
Capul, N. Samar
19. Office of the Mayor
Lavezares, N. Samar
20. Office of the LGU Legislative Body
Lavezares, N. Samar
21. Office of the Mayor
Catarman, N. Samar
22. Office of the LGU Legislative Body
Catarman, N. Samar
23. Office of the Mayor
Lao-ang, N. Samar
24. Office of the LGU Legislative Body
Lao-ang, N. Samar
25. Office of the Mayor
Gamay, N. Samar
26. Office of the LGU Legislative Body
Gamay, N. Samar
27. Office of the Mayor
San Vicente, N. Samar
28. Office of the LGU Legislative Body
San Vicente, N. Samar
29. Office of the Mayor
Rosario, N. Samar

30. Office of the LGU Legislative Body
Rosario, N. Samar
31. Office of the Mayor
Lope de Vega, N. Samar
32. Office of the LGU Legislative Body
Lope de Vega, N. Samar
33. Office of the Mayor
Mondragon, N. Samar
34. Office of the LGU Legislative Body
Mondragon, N. Samar
35. Office of the Mayor
Catubig, N. Samar
36. Office of the LGU Legislative Body
Catubig, N. Samar
37. Office of the Mayor
Lapinig, N. Samar
38. Office of the LGU Legislative Body
Lapinig, N. Samar
39. Office of the Mayor
San Isidro, N. Samar
40. Office of the LGU Legislative Body
San Isidro, N. Samar
41. Office of the Mayor
Biri, N. Samar
42. Office of the LGU Legislative Body
Biri, N. Samar
43. Office of the Mayor
San Roque, N. Samar
44. Office of the LGU Legislative Body
San Roque, N. Samar
45. Office of the Mayor
Las Navas, N. Samar
46. Office of the LGU Legislative Body
Las Navas, N. Samar
47. Office of the Mayor
Victoria, N. Samar

48. Office of the LGU Legislative Body
Victoria, N. Samar
49. Office of the Mayor
San Jose, N. Samar
50. Office of the LGU Legislative Body
San Jose, N. Samar
51. Office of the Mayor
Pambujan, N. Samar
52. Office of the LGU Legislative Body
Pambujan, N. Samar
53. Office of the Mayor
Palapag, N. Samar
54. Office of the LGU Legislative Body
Palapag, N. Samar
55. Office of the Governor
Province of Northern Samar
56. Office of the LGU Legislative Body
Province of Northern Samar
57. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
58. Regulatory Operations Service (TGP Group)
17/F, Pacific Center Bldg., San Miguel Ave.,
Ortigas, Pasig City