

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE TARIFF
GLIDE PATH CALCULATION
PURSUANT TO ARTICLE VII
OF THE RSEC-WR AND ERC
RESOLUTION NO. 8, SERIES
OF 2011, WITH PRAYER
FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015 -097 RC

**COTABATO ELECTRIC
COOPERATIVE, INC.
(COTELCO),**

Applicant.

X-----X

D O C K E T E D
Date: FEB 10 2017
By: [Signature]

ORDER

On 14 May 2015, Cotabato Electric Cooperative, Inc. (COTELCO) filed an Application seeking the Commission's approval of its Tariff Glide Path (TGP) calculation pursuant to Article VII of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) and ERC Resolution No. 8, Series of 2011, with prayer for the issuance of provisional authority.

COTELCO alleged the following in its Application:

1. Cotabato Electric Cooperative, Inc. (COTELCO) is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Manubuan, Matalam, North Cotabato where it may be served with summons and other legal processes, represented in this Application by its General Manager, GODOFREDO B. HOMEZ, of legal age, Filipino, duly authorized by virtue of Resolution No. 30, Series of 2015 dated March 27, 2015, copy of which is attached hereto as annex "A";

The filing of the instant Application is likewise authorized under the same Resolution aforementioned.

2. Applicant has the exclusive right and authority to operate an electric light and power services in the City of Kidapawan and the Municipalities of Makilala, Kabacan, Carmen, Mlang,

Tulunán, Matalam, Pres. Roxas, Magpet, Antipas, Arakan, and Banisilan, all in the Province of North Cotabato by virtue of a franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645;

3. On September 23, 2009, the Honorable Commission issued and approved Resolution No. 20 Series of 2009, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR);
4. Pursuant to the afore-mentioned ERC Resolution Applicant filed its Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on August 31, 2010. Accordingly, after the required public hearing, ERC in its Decision dated December 10, 2012 granted Applicant the following rates:

New Customer Classes		Residential	LOW VOLTAGE				HIGH VOLTAGE		
Current Customer Class		Residential	Commercial	Public Building	Street Lights	Industrial	Industrial	Commercial	Public Building
Distribution Charges									
Demand Charge	Php/Kw						219.6800	219.6800	219.6800
Distribution System Charge	Php/Kwh	0.5782	0.7595	0.7595	0.7595	0.7595			
Supply Charges									
Retail Customer Charge	Php/Cust/Mo		42.9200	42.9200	42.9200	42.9200	42.9200	42.9200	42.9200
Supply System Charge	Php/Kwh	0.6001							
Metering Charges									
Retail Customer Charge	Php/Meter/Mo	5.0000	35.9400	35.9400	35.9400	35.9400	35.9400	35.9400	35.9400
Metering System Charge	Php/Kwh	0.4326							

5. On April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;
6. After a series of public consultations conducted by the ERC in its offices in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the "Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric Cooperatives' Wheeling Rates;

7. Pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"}]$$

The Index, "I" shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the load growth. 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 the above or below standard performance, respectively.

8. Following the afore-quoted formula, Applicant proposes the following TGP calculation:

8.a. Index "I" Calculation

8.a.1. CPI Calculation (2012-2015)

Particulars	Average CPI	CPI
YEAR n-1 (2012)	132.6	
YEAR n (2013)	136.2	2.71%
YEAR n+1 (2014)	141.2	3.67%
YEAR n+2 (2015)	148.5	5.17%

8.a.2. Growth Rate Calculation (2012-2015)

Particulars	Total KWh Sales	GR
YEAR n-1 (2012)	138,651,042	
YEAR n (2013)	140,443,065	1.29%
YEAR n+1 (2014)	143,985,039	2.52%
YEAR n+2 (2015)	152,559,964	5.96%

8.b. Efficiency Factor "X" Calculation

8.b.1. Calculation of Man-hours (2012-2015)

Particulars	2012	2013	2014	2015
Regular	377,219	366,708	351,707	356,448
Contractual				
Meter Reading	46,848	47,800	48,000	51,840
Disconnectors	1,665	1,868	2,715	2,928
Pole Replacement	1,597	2,414	1,993	1,971
Line Clearing	1,597	2,414	1,993	1,971
Service Dropping	26,280	29,500	36,280	42,800

ERC CASE NO. 2015-097 RC
ORDER/ 31 JANUARY 2017
PAGE 4 OF 11

Utility men	22,880	22,528	22,440	22,616
Security Guards	113,880	114,192	113,880	119,720
Legal Counsel & External Auditor	6,240	6,144	6,120	6,168
Drivers	18,720	18,432	18,360	18,504
Total Manhours	619,927	611,999	603,489	624,966

8.b.2. FTE/CPE (2012-2015)

Particulars	2012	2013	2014	2015
TOTAL MANHOURS	619,927	611,999	603,489	624,966
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	297	294	290	300
Total number of billed connections (year- end)	96,842	100,674	104,677	111,267
CPE	327	342	361	370

8.c. Performance Incentive "S" Calculation

8.c.1. SAIDI Calculation (2013-2015)

	2013	2014	2015
Customer Minutes Affected	41,326,322	170,030,117	59,333,045
Average Billed Customers	99,311	103,008	108,412
SAIDI	416.13	1,650.65	547.29

8.c.2. SAIFI Calculation (2013-2015)

	2013	2014	2015
Customers Affected	916,127	2,127,732	2,800,085
Customers served	99,311	103,008	108,412
SAIFI	9.22	20.66	25.83

8.c.3. SL Calculation (2013-2015)

	2013	2014	2015
kWh Purchased	161,420,271	165,300,619	175,266,592
kWh Sold	140,443,065	143,985,039	152,559,964
System Loss (in kWh)	20,977,206	21,315,580	22,706,628
System Loss (in %)	13.00%	12.90%	12.96%

Details of the aforementioned calculations are provided and contained in Annex "B" hereof.

9. As observed, there is a minimal upward adjustment in Applicant's rates resulting in a 4.02% adjustment including "S" and 0.72% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP A (including S)	TGP A (excluding S)
YEAR 2013	1.42%	0.00%	1.90%	3.32%	1.42%
YEAR 2014	1.15%	0.00%	0.30%	1.45%	1.15%
YEAR 2015	0.00%	1.85%	1.10%	-0.75%	-1.85%
TOTAL				4.02%	0.72%

10. Attached herewith in a separate bundle marked as Annex "C" are the following:
- 10.a. MFSR (Sections B & E) (2010-2014)
 - 10.b. Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2010-2014)
 - 10.c. Sample Bills (1 per customer type for 2010-2014)
 - 10.d. Regional CPI (2011-2014)
 - 10.e. RFSC/Reinvestment Fund Utilization (2012-2014)
 - 10.f. Consumer Complaints (Summary or tracking form) (2012-2014)
 - 10.g. Audited Financial Statement (2010-2014)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

11. In compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules on Practice and Procedure, Applicant furnished copies of this Application together with all its annexes the legislative bodies of the Municipality of Matalam, North Cotabato where its office is principally located, as well as the Provincial Board of the Province of North Cotabato, as evidenced by the affidavit of service executed by Darwin C. Fajardo an associate under the Office of the General Manager, with a copy of the page of the application bearing the stamp "RECEIVED", herewith attached as annex "D" and the certifications of the legislative bodies aforementioned herewith attached as Annexes "E" and "F". Likewise, a copy of the Application was published in the Mindanao Express, a newspaper of general circulation in the franchise area of the Applicant and the Province of North Cotabato, as evidenced by the Affidavit of Publication executed by the Editor, and original copy of the issue showing the

published application, copies of which are attached hereto as Annexes "G" and "H", respectively;

APPLICATION
FOR PROVISIONAL AUTHORITY

12. The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly;
13. With this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
14. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;
15. The provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the Judicial Affidavit of the Corporate Planning, Information Technology and Retail Services Department Manager in support of the prayer for provisional authority marked as Annex "I".

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the proposed Tariff Glide Path Rates calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6015	0.5824
	Supply	PhP/kWh	0.6001	0.6242	0.6044
	Metering	PhP/kWh	0.4326	0.4500	0.4357
	Metering	PhP/meter/mo	5.00	5.20	5.04
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.7900	0.7650
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20
HIGHER VOLTAGE	Distribution	PhP/kWh	219.68	228.51	221.27
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

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 **28 March 2017 at nine o'clock in the morning (9:00 A.M.), at COTELCO's principal office at Manubuan, Matalam, North Cotabato.**

Accordingly, COTELCO 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 Governor, 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 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:

- 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.

COTELCO 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, 31 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO


LS/SLAN/ARG/PAR/APV



COPY FURNISHED:

1. Cotabato Electric Cooperative, Inc. (COTELCO)
Applicant
Manubuan, Matalam, North Cotabato
2. Attys. Alan C. Gaviola, Alan Byrne S. Gaviola and Estrella G. Menchavez
Counsel for Applicant
A.C. Gaviola Law Office, Rm. 203, 2/F Crown Port View Hotel, 3rd Ave.,
North Reclamation Area, Cebu City
3. Office of the Mayor
City of Kidapawan, North Cotabato
4. Office of the LGU legislative body
City of Kidapawan, North Cotabato
5. Office of the Mayor
Makilala, North Cotabato
6. Office of the LGU legislative body
Makilala, North Cotabato
7. Office of the Mayor
Kabacan, North Cotabato
8. Office of the LGU legislative body
Kabacan, North Cotabato

ERC CASE NO. 2015-097 RC
ORDER/ 31 JANUARY 2017
PAGE 10 OF 11

9. Office of the Mayor
Carmen, North Cotabato
10. Office of the LGU legislative body
Carmen, North Cotabato
11. Office of the Mayor
Mlang, North Cotabato
12. Office of the LGU legislative body
Mlang, North Cotabato
13. Office of the Mayor
Tulunán, North Cotabato
14. Office of the LGU legislative body
Tulunán, North Cotabato
15. Office of the Mayor
Matalam, North Cotabato
16. Office of the LGU legislative body
Matalam, North Cotabato
17. Office of the Mayor
Pres. Roxas, North Cotabato
18. Office of the LGU legislative body
Pres. Roxas, North Cotabato
19. Office of the Mayor
Magpet, North Cotabato
20. Office of the LGU legislative body
Magpet, North Cotabato
21. Office of the Mayor
Antipas, North Cotabato
22. Office of the LGU legislative body
Antipas, North Cotabato
23. Office of the Mayor
Arakan, North Cotabato
24. Office of the LGU legislative body
Arakan, North Cotabato
25. Office of the Mayor
Banisilan, North Cotabato
26. Office of the LGU legislative body
Banisilan, North Cotabato
27. Office of the Governor
North Cotabato
28. Office of the LGU legislative body
Province of North Cotabato
29. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
30. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
31. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City

32. House Committee on Energy
Batasan Hills, Quezon City
33. 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
34. Regulatory Operations Service (ROS)
(Tariffs and Rates Division)
17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City