

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 -145 RC

**CAMARINES SUR II
ELECTRIC COOPERATIVE,
INC. (CASURECO II),**

Applicant.

X-----X

BOOKETED
Date: MAR 02 2017
By: *[Signature]*

ORDER

On 30 July 2015, the Camarines Sur II Electric Cooperative Inc. (CASURECO II) filed an *Application* for approval of adjustment in rates pursuant to the Tariff Glide Path (TGP) rules, with prayer for provisional authority.

CASURECO II alleged the following in its *Application*:

1. Applicant CASURECO II is an electric cooperative organized and existing under and by the virtue of Presidential Decree No. 269, as amended by Presidential Decree 1643, with principal office at Maharlika Highway, Del Rosario, Naga City, Camarines Sur. Applicant CASURECO II may be served with orders, notices, and other legal processes of this Honorable Commission through counsel;
2. Applicant CASURECO II is a holder of an exclusive franchise to operate electric service in the City of Naga and the Municipalities of Bombon, Calabanga, Canaman, Magarao, Milaor, Minabalac, Pili, Siruma and Tinambac, in the Province of Camarines Sur (collectively, the "Franchise Area").
3. Applicant is represented in this application by its General Manager Bernadette G. Gumba and her authorization to file this application and to represent CASURECO II is by virtue of Board Resolution No. 2015-025, Xerox copy of which is hereto

attached and marked as Annex "A" and made an integral part of this application;

4. Sometimes in 2009, CASURECO II filed an application for approval of its proposed adjustment in its rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
5. The Commission approved the said application, granting provisionally the following initial tariffs on its Distribution, Supply, Metering (DSM) Charges, as follows:

Particulars	Units	Customer Type		
		Residential	Low Voltage	High Voltage
Distribution Charges:				
Demand Charge	Php/kw			167.5600
Distribution System Charge	Php/kw	0.4613	0.4441	
Supply Charges:				
Retail Customer Charge	Php/Cust/Mo.		46.6000	46.6000
Supply System Charge	Php/Cust/Mo	0.5376		
Metering Charges:				
Retail Customer Charge	Php/Meter/Mo.	5.000	32.7800	32.7800
Metering System Charge	Php/kWh	0.3205		

6. On May 2, 2011, the Commission promulgated the TGP Rules pursuant to Article VII of the RSEC-WR during the Regulatory Period, the tariff caps of the electric cooperatives (ECs) per group shall be adjusted using 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 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.

7. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates once every three years. The rate adjustments may occur at the start of the fourth year of the first Regulatory Period and every three years thereafter;
8. Under the TGP Rules, 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. CASURECO II belongs to the Third Entrant Group;

9. Further under Section 3.2 of 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:

$$TGP_a = TGP_n + TGP_{n+1} + TGP_{n+2}$$

Where:

N = the first year of the Regulatory Period and succeeding Regulatory Periods

Except that for the first two (2) years of the First Regulatory Period, "X" will be equal to zero (0) and thereafter shall not be less than zero (0). 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;

10. Applying the formula provided in Section 3.4, 3.5 and 3.6 of the TGP rules, applicant calculated the values of the "I", "X" and "S" as follows:

YEAR	"I"	"X"	"S"	TGP A	TGP A Excluding "S"
2013	0.00%	0.00%	-0.40%	-0.40%	0.00%
2014	0.00%	0.00%	0.80%	0.80%	0.00%
2015	3.51%	1.94%	-0.40%	1.17%	1.57%
Total				1.57%	1.57%

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

11.1. With Performance Incentive "S"

Particulars	Units	Customer Type		
		Residential	Low Voltage	High Voltage
Distribution Charges:				
Demand Charge	Php/kw			170.19
Distribution System Charge	Php/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	Php/Cust/Mo		47.33	47.33
Supply System Charge	Php/Cust/Mo	0.5460		
Metering Charges:				
Retail Customer Charge	Php/Meter/Mo	5.08	33.29	33.29
Metering System Charge	Php/kWh	0.3255		

11.2. Excluding Performance Incentive "S"

Particulars	Units	Customer Type		
		Residential	Low Voltage	High Voltage
Distribution Charges:				
Demand Charge	Php/kw			170.19
Distribution System Charge	Php/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	Php/Cust/Mo		47.33	47.33
Supply System Charge	Php/Cust/Mo	0.5460		
Metering Charges:				
Retail Customer Charge	Php/Meter/Mo	5.08	33.29	33.29
Metering System Charge	Php/kWh	0.3255		

12. In support of the foregoing computations, the following documents are attached to the application and made integral parts thereof:

Annex No.	Nature of Document
B B-1	Proposed TGP Calculations ERC using the prescribed templates Rate Increase for TGP Calculation
C C-1 C-2	Index "I" Calculation Consumer Price Index (CPI) Calculation (2012-2015) Growth Rate Calculation (2012-2015)
D D-1	Efficiency Factor "X" and FTE/CPE Calculation (2012-2015) Detailed Calculation of the Man-Hour
E E-1 E-2	Performance Incentive "S" Calculation SAIFI & SAIDI Calculation (2013-2015) System Loss Calculation (2013-2015)
F F-1 F-2	MFSR (Section B & E) for 2010-2014 Section B for 2010-2014 Section E for 2010-2014
G G-1 G-2 G-3	Billing Determinants for 2010-2014 Sales in kWh for 2010-2014 Number of Customers for 2010-2014 kW Billing Demand for 2010-2014
H H-1 H-2 H-3	Sample Bills for 2010-2014 (Residential, Low Voltage, High Voltage) RESIDENTIAL for 2010-2014 LOW VOLTAGE for 2010-2014 HIGH VOLTAGE for 2010-2014
I	Regional CPI for 2011-2014
J to J-3	RFSC/Reinvestment Fund Utilization for 2012-2014
K to K-3	Consumer Complaints for 2012-2014
L to L-4	Audited Financial Statements for 2010-2014

13. And in compliance with the pre-filing requirements of the Commission, the following documents are, likewise, attached to the application and made integral parts thereof:

Annex No.	Nature of Document
M	Certification as proof of serving a copy of the Application to the Sangguniang Panlalawigan of Camarines Sur.

N	Certification as proof of serving a copy of the Application to the Sangguniang Panlungsod of Naga City
O	Copy of the Newspaper as proof of the publication of the Application in a Local Newspaper with general circulation in the Province of Camarines Sur
P	Affidavit of Publication by the Publisher

P R A Y E R

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, the application be favorably granted and CASURECO II be authorized to implement a rate increase equal to the Tariff Glide Path amount in accordance with Section 2.3 of the TGP rules. Further, it is prayed that pending the resolution of the instant application, CASURECO II be granted a provisional authority to implement/impose either the following three alternative proposed new rates for Distribution, Supply, Metering charges starting January 2016 and up to December 2018 or until the instant application is resolved with finality.

Alternative 1- With Performance Incentive “S”

Particulars	Units	Customer Type		
		Residential	Low Voltage	High Voltage
Distribution Charges:				
Demand Charge	Php/kw			170.19
Distribution System Charge	Php/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	Php/Cust/Mo		47.33	47.33
Supply System Charge	Php/Cust/Mo	0.5460		
Metering Charges:				
Retail Customer Charge	Php/Meter/Mo	5.08	33.29	33.29
Metering System Charge	Php/kWh	0.3255		

Alternative 2- Excluding Performance Incentive “S”

Particulars	Units	Customer Type		
		Residential	Low Voltage	High Voltage
Distribution Charges:				
Demand Charge	Php/kw			170.19
Distribution System Charge	Php/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	Php/Cust/Mo		47.33	47.33
Supply System Charge	Php/Cust/Mo	0.5460		
Metering Charges:				

Retail Customer Charge	Php/Meter/Mo	5.08	33.29	33.29
Metering System Charge	Php/kWh	0.3255		

Other reliefs as may be just and equitable under the premises are likewise prayed for.

Finding the said *Application* sufficient in substance with the required fees having been paid, on 17 January 2017, the Commission issued an Order setting the case for hearing on 14 February 2017.

On 03 February 2017, CASURECO II filed a *Manifestation with Motion to Reset Hearing Scheduled on 14 February 2017* dated 31 January 2017 (Motion) due to lack of sufficient time to comply with the Commission's publication requirements. CASURECO II prayed that the instant *Application* be set on 29 July 2017.

Finding the said Motion meritorious, the same is hereby **GRANTED with MODIFICATION**. Hence, the hearing on 14 February 2017 was cancelled. However, the prayer of the Applicant to reset the hearing of the instant case on 29 July 2017 is **DENIED** due to the unavailability of the Commission.

Accordingly, the Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **18 April 2017 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at CASURECO II's principal office at Maharlika Highway Del Rosario, Naga City, Camarines Sur.**

Accordingly, CASURECO II 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 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 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.

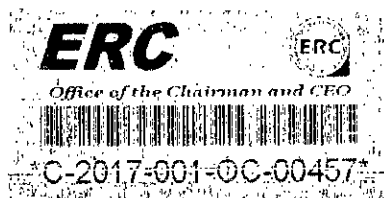
CASURECO II must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application*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


SO ORDERED.

Pasig City, 06 February 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO




LS: LSP/CYS/APV/10 2015-145RC. tgp

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COPY FURNISHED:

1. Camarines Sur II Electric Cooperative, Inc. (CASURECO II)
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2. Atty. Veronica Cuyo-Avila
Counsel for Applicant CASURECO II
Rm. 303-A, 3rd Floor, PNB Building, Naga City
3. Office of the Mayor
Naga City, Camarines Sur
4. Local Government Unit (LGU) legislative body
Naga City, Camarines Sur
5. Office of the Mayor
Bombon, Camarines Sur
6. Office of the LGU legislative body
Bombon, Camarines Sur
7. Office of the Mayor
Calabanga, Camarines Sur
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Canaman, Camarines Sur
11. Office of the Mayor
Magarao, Camarines Sur
12. Office of the LGU legislative body
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13. Office of the Mayor
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15. Office of the Mayor
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16. Office of the LGU legislative body
Minabalac, Camarines Sur
17. Office of the Mayor
Pili, Camarines Sur
18. Office of the LGU legislative body
Pili, Camarines Sur
19. Office of the Mayor
Siruma, Camarines Sur
20. Office of the LGU legislative body
Siruma, Camarines Sur
21. Office of the Mayor
Tinambac, Camarines Sur

22. Office of the LGU legislative body
Tinambac, Camarines Sur
23. Office of the Governor
Province of Camarines Sur
24. Office of the LGU legislative body
Province of Camarines Sur
25. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
26. Commission on Audit
Commonwealth Avenue, Quezon City
27. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
28. House Committee on Energy
Batasan Hills, Quezon City
29. 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
30. Regulatory Operations Service
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City