



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. 2014-069 RC

**SOUTH COTABATO II
ELECTRIC COOPERATIVE,
INC. (SOCOTECO II),
Applicant.**

D O C K E T E D
Date: MAR 09 2017
By: [Signature]

X-----X

ORDER

On 27 May 2014, South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an application dated 20 May 2014 seeking the Commission's approval of adjustment in rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of a provisional authority.

SOCOTECO II alleged the following in its Application:

1. Applicant is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Jose Catolico Sr. Street, Lagao, General Santos City;

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution system in the City of General Santos and two (2) municipalities of the province of South Cotabato, namely: Polomolok and Tupi, and the seven (7) municipalities of the province of Sarangani, namely: Alabel, Malungon, Malapatan, Glan, Maasim, Kiamba, and Maitum;

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3. Sometime in 2009, SOCOTECO II 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. The Honorable Commission approved the application, granting the cooperative the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

New Customer Class		RES	LOW VOLTAGE				HV		
Current Customer Class		RES	COM	IND'L	P/B	Street Lights	IND'L	COM	P/B
Distribution Charges:									
Demand Charge	P/kW	-	-	-	-	-	118.5538	118.5538	118.5538
Distribution System Charge	PhP/kWh	0.2748	0.3748	0.3748	0.3748	0.3748			-
Supply Charges:									
Retail Customer Charge	PhP/cus/mo	-	59.7343	59.7343	59.7343	59.7343	59.7343	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-	-	-	-	-	-
Metering Charges:									
Retail Customer Charge	PhP/meter/mo	5.0000	54.9228	54.9228	54.9228	54.9228	54.9228	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	-	-	-	-	-	-

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:

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

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.

6. 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.

7. Under the TGP, the regulatory period is six (6) years for each entry Group. For the Second Entrant Group, the first

regulatory period is from January 1, 2012 to December 31, 2017. SOCOTECO II belongs to the Second 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:

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

$$TGP_n = I_n - X_n + S_n$$

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

Except 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, SOCOTECO II 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 2012	0.00%	0.00%	-0.90%	-0.90%	0.00%
Year 2013	0.00%	0.00%	0.90%	0.90%	0.00%
Year 2014	0.00%	0.00%	1.30%	1.30%	0.00%
Net Results				1.30%	0.00%

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

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	120.0950
Distribution System Charge	PhP/kWh	0.2784	0.3797	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	60.5108	60.5108
Supply System Charge	PhP/kWh	0.4194	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0650	55.6368	55.6368
Metering System Charge	PhP/kWh	0.3505	-	-

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	118.5538
Distribution System Charge	PhP/kWh	0.2748	0.3748	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	-

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 2015 and up to the next regulatory reset;

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

Annex No.	Nature of Document
A to A-2	Proposed TGP Calculations and supporting documents using prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR - Sections B and E (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample Bills per customer type (2010-2013)
E	Regional CPI (2010-2013)
F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Complaint Tracking Form) (2011-2013)
H	Audited Financial Statements (2010- 2013)

13. Finally, in compliance with the pre-filing requirements for the instant application, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex No.	Nature of Document
I	Affidavit in support of the prayer for provisional authority
J to J-2	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of General Santos City and Sangguniang Panlalawigan of South Cotabato and Sarangani
K to K-2	Publication of the Application in a newspaper of general circulation in SOCOTECO II's franchise area or where it principally operates, with Affidavit of Publication

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, SOCOTECO II 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:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	120.0950
Distribution System Charge	PhP/kWh	0.2784	0.3797	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	60.5108	60.5108
Supply System Charge	PhP/kWh	0.4194	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0650	55.6368	55.6368
Metering System Charge	PhP/kWh	0.3505	-	-

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	118.5538
Distribution System Charge	PhP/kWh	0.2748	0.3748	-

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Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	

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 instant Application is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **29 March 2017 (Wednesday) at nine o'clock in the morning (9:00 A.M.) at SOCOTECO II's principal office in Jose Catolico Sr. Street, Lagao, General Santos City.**

Accordingly, SOCOTECO 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 or 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 SOCOTECO II 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 SOCOTECO II 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.

SOCOTECO II 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, 08 March 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

ERC



Office of the Chairman and CEO



C-2017-009-OC-00612


LS: ACA/PAR/APV

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Copy furnished:

1. **Lerios – Amboy Pingol & Gonzales Law Offices**
Counsel for Applicant SOCOTECO II
Units 1609 – 1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. **South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)**
Applicant
Jose Catolico Sr. Street,
Lagao, General Santos City
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 South Cotabato 9506
8. **Office of the LGU Legislative Body**
Province of South Cotabato 9506
9. **Office of the Provincial Governor**
Province of Sarangani 9501
10. **Office of the LGU Legislative Body**
Province of Sarangani 9501
11. **Office of the City Mayor**
General Santos City 9500
12. **Office of the LGU Legislative Body**
General Santos City 9500
13. **Office of the Municipal Mayor**
Alabel, Sarangani 9501
14. **Office of the LGU Legislative Body**
Alabel, Sarangani 9501
15. **Office of the Municipal Mayor**
Malungon, Sarangani 9503
16. **Office of the LGU Legislative Body**
Malungon, Sarangani 9503
17. **Office of the Municipal Mayor**
Malapatan, Sarangani 9516
18. **Office of the LGU Legislative Body**
Malapatan, Sarangani 9516
19. **Office of the Municipal Mayor**
Glan, Sarangani 9517
20. **Office of the LGU Legislative Body**
Glan, Sarangani 9517
21. **Office of the Municipal Mayor**
Maasim, Sarangani 9502
22. **Office of the LGU Legislative Body**
Maasim, Sarangani 9502

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23. **Office of the Municipal Mayor**
Kiamba, Sarangani 9514
24. **Office of the LGU Legislative Body**
Kiamba, Sarangani 9514
25. **Office of the Municipal Mayor**
Maitum, Sarangani 9515
26. **Office of the LGU Legislative Body**
Maitum, Sarangani 9515
27. **Office of the Municipal Mayor**
Polomolok, South Cotabato 9504
28. **Office of the LGU Legislative Body**
Polomolok, South Cotabato 9504
29. **Office of the Municipal Mayor**
Tupi, South Cotabato 9505
30. **Office of the LGU Legislative Body**
Tupi, South Cotabato 9505
31. **Philippine Chamber of Commerce and Industry**
3rd Floor, Commerce and Industry Plaza,
1030, Campus Avenue, Fort Bonifacio, Taguig, 1634
32. **Regulatory Operations Service**
Energy Regulatory Commission
17th Floor, Pacific Center Building,
San Miguel Avenue, Ortigas Center 1600,
Pasig City