

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
ADJUSTMENT IN RATES  
PURSUANT TO THE TARIFF  
GLIDE PATH (TGP) RULES,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2014 -072 RC**

**SAN JOSE CITY ELECTRIC  
COOPERATIVE (SAJELCO),**

**Applicant.**

X-----X

**D O C K E T E D**

Date: MAR 27 2017

By: W

**ORDER**

On 02 June 2014, San Jose City Electric Cooperative (SAJELCO) filed an *Application (Application)* dated 22 May 2014 seeking the Commission's approval of the adjustment in rates, pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

SAJELCO alleged the following in its *Application*:

1. That applicant is an electric cooperative duly organized under the laws of the Philippines with principal office address at Maharlika Road, San Jose City, Nueva Ecija, where it may be served with orders, notices, and other legal processes of the Honorable Commission. Said applicant is herein represented by its General Manager, Celestino P. Pobre, of legal age, Filipino, married, and with the same office address as that of the applicant.

2. Herein applicant is the exclusive holder of a franchise issued by the National Electrification Administration (NEA) to operate an electric light and power services in San Jose City and adjacent town, all in the province of Nueva Ecija;

3. That last November 6, 2009, herein applicant filed with the Honorable Commission an application for approval of the proposed adjustment in its rates pursuant to the Rules for Setting the Electric Cooperative's Wheeling Rates (RSEC-WR);

4. In the said application filed on November 6, 2009, the Honorable Commission granted the applicant cooperative provisional authority to implement the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

	Units	Customer Type		
		Residential	Low Voltage	Higher Voltage
Distribution Charges Demand Charge Distribution System Charge	PhP/kW PhP/kWh	0.4613	0.4441	167.56
Supply Charges: Retail Customer Charge Supply System Charge	PhP/Customer/Mo PhP/kWh.		46.60	46.60
Metering Charges: Retail Customer Charge Metering System Charge	PhP/Meter/Mo PhP/kWh	5.00 0.3205	32.78	32.78

5. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article VII 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 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 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 years (6) for each entry Group. For Second Entrant Group, the first regulatory period is from January 1, 2012 to December 31, 2014. SAJELCO, herein applicant, belongs to the Second Entrant Group.

8. Furthermore, 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

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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 starting on the Fourth Year of the current Regulatory period.

9. Applying the methodology embodied in the TGP Rules, applicant 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	9.06%	0.00%	0.30%	9.36%	9.06%
Year 2013	0.59%	0.00%	1.50%	2.09%	0.59%
Year 2014	0.00%	0.00%	1.90%	1.90%	0.00%
Net Results				13.35%	9.65%

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

Type of Customer	Particulars	Unit	Rate @ end of the Transition period (in PhP/kWh)	Rate @ 1 <sup>st</sup> Tariff Glide Path Adjustment including S (in PhP/kWh)	Rate @ 1 <sup>st</sup> Tariff Glide Path adjustments excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.4613	0.5229	0.5058
	Supply	PhP/kWh	0.5376	0.6094	0.5895
	Metering	PhP/kWh	0.3205	0.3633	0.3514
	Metering	PhP/meter/mo	5.00	5.67	5.48
Low Voltage	Distribution	PhP/kWh	0.4441	0.5034	0.4870
	Supply	PhP/cust/mo	46.60	52.82	51.10
	Metering	PhP/meter/mo	32.78	37.16	35.94
Higher Voltage	Distribution	PhP/kW	167.56	189.93	183.73
	Supply	PhP/cust/mo	46.60	52.82	51.10
	Metering	PhP/meter/mo	32.78	37.16	35.94

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

- a. Proposed TGP Calculations and supporting documents using the prescribed templates as **ANNEX "A"**;
  - a.1 Index "I" Calculation
  - a.2 Efficiency Factor "X" Calculation
  - a.3 Performance Incentive "S" Calculation
- b. MFSR (Section B and E) as **ANNEX "B"**;
- c. Billing Determinants Template (kWh Sales, No. of Consumers, kW Demand) as **ANNEX "C"**;
- d. Sample Bills (per customer type) as **ANNEX "D"**;
- e. Regional Consumer Price Index (CPI) as **ANNEX "E"**;
- f. RFSC/Reinvestment Fund Utilization as **ANNEX "F"**;

- g. Consumer Complaints (Summary or Tracking Form) as ANNEX "G";
- h. Audited Financial Statements as ANNEX "H".

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, the proposed Tariff Glide Path Rates be approved provisionally pending hearing and evaluation of the application:

Type of Customer	Particulars	Unit	Rate @ end of the Transition period (in PhP/kWh)	Rate @ 1 <sup>st</sup> Tariff Glide Path Adjustment including S (in PhP/kWh)	Rate @ 1 <sup>st</sup> Tariff Glide Path adjustments excluding S (in PhP/kWh)
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Other relief/s just and equitable in the premises are likewise prayed for.

On 17 January 2017, the Commission, finding the said *Application* sufficient in substance with the required fees having been paid, issued an *Order* setting the instant *Application* for initial hearing on 09 March 2017.

On 27 February 2017, SAJELCO filed a *Motion to Transfer Date of Hearing and Motion for Change of Venue* dated 16 February 2017. In its *Motion*, Applicant prays for the resetting of the hearing and change of venue due to the transfer of SAJELCO in its new principal office starting the first week of March 2017, and the simultaneous preparation of its various activities for the month.

Finding the said motion meritorious, the Commission hereby **GRANTS** the same and cancels the hearing set on 9 March 2017.

NOW, THEREFORE, the said hearing is hereby reset on **18 May 2017 (Thursday) at nine o'clock in the morning (9:00 A.M.)**, at SAJELCO's new principal office at Maharlika Highway, Abar 2<sup>nd</sup>, San Jose City, Nueva Ecija, for

determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence.

Accordingly, SAJELCO 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

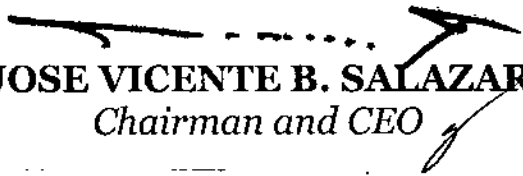
scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

SAJELCO 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, 6 March 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*

**ERC**



Office of the Chairman and CEO



\*C-2017-024-OC-00727\*

LS: ARC/PAR/APV

Copy Furnished:

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*Applicant*  
Maharlika Highway, Abar 2<sup>nd</sup>, San Jose City, Nueva Ecija
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit  
Commonwealth Avenue, Quezon City

5. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
6. House Committee on Energy  
Batasan Hills, Quezon City
7. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner  
Park Avenue, McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Governor  
Province of Nueva Ecija
9. Office of the LGU legislative body  
Province of Nueva Ecija
10. Office of the Mayor  
San Jose City, Nueva Ecija
11. Local Government Unit (LGU) legislative body  
San Jose City, Nueva Ecija
12. Office of the Mayor  
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