

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
RULES, WITH PRAYER
FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015-115 RC

**SIARGAO ELECTRIC
COOPERATIVE, INC.
(SIARELCO),
Applicant.**

X-----X

D O C K E T E D
Date: JUL 12 2017
By: [Signature]

ORDER

On 22 June 2015, Siargao Electric Cooperative, Inc. (SIARELCO) filed an *Application* seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of provisional authority.

SIARELCO alleged the following in its *Application*:

1. SIARELCO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippines laws, with principal office at Catabaan, Dapa, Surigao del Norte;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in certain municipalities of the province of Surigao del Norte, namely: Burgos, Dapa, Del Carmen, Gen. Luna, Pilar, San Benito, San Isidro, Sta. Monica and Socorro;

THE ANTECEDENT FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
4. The RSEC-WR envisioned a regulatory framework whereby an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. In the same year, SIARELCO filed with the Honorable Commission an application for approval of its proposed initial tariffs pursuant to the RSEC-WR, docketed as ERC Case No. 2009-084 RC;
6. The Honorable Commission approved the application, granting the cooperative at the end of the transition period, the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.0577	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12
Metering System Charge	PhP/kWh	.5792	

7. On the other hand, Article 7 of the RSEC-WR provides that during the regulatory period, the rate of the 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 than the current average tariff, a reduction may be implemented.

LEGAL BASIS FOR THE APPLICATION

8. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR;
9. 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;
10. Under the TGP, 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. SIARELCO belongs to the Third Entrant Group;
11. 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 their 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.

THE PROPOSED RATE ADJUSTMENT

12. Applying the methodology embodied in the TGP Rules, SIARELCO 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	0	1.30%	1.30%	0.00%
Year 2014	0	0	1.30%	1.30%	0.00%
Year 2015	0	0	1.70%	1.70%	0.00%
Net Results				4.30%	0.00%

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

A. WITH PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.1032	1.2075
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		44.66
Supply System Charge	PhP/kWh	1.0724	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.22	30.37
Metering System Charge	PhP/kWh	.6041	

B. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW		
Distribution System Charge	PhP/kWh	1.0577	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12
Metering System Charge	PhP/kWh	.5792	

14. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

SUPPORTING DATA AND DOCUMENTS

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

	Nature of Document
Annexes “A” “A-1” “A-2”	Proposed TGP Calculations and supporting documents using the prescribed templates: Index “I” Calculation Efficiency Factor “X” Calculation Performance Incentive “S” Calculation
Annex “B”	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2014)
Annex	Billing Determinants Template (kWh Sales, Number of

"C"	Customers, kW Demand) (2010-2014)
Annex "D"	Sample Bills (per customer type) (2010-2014)
Annex "E"	Regional CPI (2011-2014)
Annex "F"	RFSC/Reinvestment Fund Utilization (2012-2014)
Annex "G"	Consumer Complaints (Summary or Tracking Form) (2012- 2014)
Annex "H"	Audited Financial Statements (2010-2014)

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

16. Applicant repleads the foregoing allegations as may be material herein;
17. Applicant's current DSM rates as granted by the Honorable Commission, were implemented in three – year tranches starting way back January 2010, with the rate caps or initial tariffs being implemented only starting at the end of the three-year transition period;
18. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as pertinent governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of President Benigno Simeon C. Aquino III, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs, not to mention the increased system loss which the cooperative is likely to absorb. All these costs were not duly provided for in its current rates and the general funds being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;
19. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
20. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2016;
21. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective January 1, 2016.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

22. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

	Nature of Document
Annex "I"	Affidavit in Support of the Prayer for Provisional Authority
Annexes "J" to "J-1"	Proof of furnishing copies of the Application to the Sangguniang Bayan of Dapa and Sangguniang Panlalawigan of Surigao del Norte
Annexes "K" to "K-2"	Proof of publication of the Application in a newspaper of general circulation in SIARELCO's franchise area or where its principally operates

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, SIARELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 1, 2016, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges:			
Demand Charge	PhP/kW	1.1032	1.2075
Distribution System Charge	PhP/kWh		
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B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE	
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Distribution Charges:			
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Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12
Metering System Charge	PhP/kWh	0.5792	

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 same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **09 August 2017 (Wednesday) at nine o'clock in the morning (9:00 A.M.), at SIARELCO's principal office at Catabaan, Dapa, Surigao del Norte.**

Accordingly, SIARELCO 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.

SIARELCO 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 July 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
Officer-In-Charge of ERC

Copy Furnished:

1. Atty. Ditas A. Lerios-Amboy
Counsel for SIARELCO
Unit 1609-1610 Tycoon Center, Pearl Drive, Pasig City
2. Siargao Electric Cooperative, Inc.
(SIARELCO)
Catabaan, Dapa, Surigao del Norte
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, City of Makati 1229
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1300
6. House of Representatives Committee on Energy
Batasan Hills, Quezon City 1126
7. Office of the Provincial Governor
Province of Surigao del Norte
8. Office of the Sangguniang Panlalawigan
Province of Surigao del Norte
9. Office of the Municipal Mayor
Burgos, Surigao del Norte
10. Office of the Sangguniang Bayan
Burgos, Surigao del Norte
11. Office of the Municipal Mayor
Dapa, Surigao del Norte
12. Office of the Sangguniang Bayan
Dapa, Surigao del Norte
13. Office of the Municipal Mayor
Del Carmen, Surigao del Norte
14. Office of the Sangguniang Bayan
Del Carmen, Surigao del Norte
15. Office of the Municipal Mayor
Gen. Luna, Surigao del Norte
16. Office of the Sangguniang Bayan
Gen. Luna, Surigao del Norte
17. Office of the Municipal Mayor
Pilar, Surigao del Norte

18. Office of the Sangguniang Bayan
Pilar, Surigao del Norte
19. Office of the Municipal Mayor
San Benito, Surigao del Norte
20. Office of the Sangguniang Bayan
San Benito, Surigao del Norte
21. Office of the Municipal Mayor
San Isidro, Surigao del Norte
22. Office of the Sangguniang Bayan
San Isidro, Surigao del Norte
23. Office of the Municipal Mayor
Sta. Monica, Surigao del Norte
24. Office of the Sangguniang Bayan
Sta. Monica, Surigao del Norte
25. Office of the Municipal Mayor
Socorro, Surigao del Norte
26. Office of the Sangguniang Bayan
Socorro, Surigao del Norte
27. 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
28. Regulatory Operations Service
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue
Pasig City