

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
BASED ON THE DATA OF  
THE FOURTH TO SIXTH  
REGULATORY YEARS OF  
THE FIRST REGULATORY  
PERIOD FOR SECOND  
ENTRANT GROUP,  
PURSUANT TO THE TARIFF  
GLIDE PATH (TGP) RULES**

**ERC CASE NO. 2017 -107 RC**

**BATANGAS II ELECTRIC  
COOPERATIVE, INC.  
(BATELEC II),**

**Applicant.**

X-----X

**DOCKETED**  
Date: **MAR 07 2018**  
By: \_\_\_\_\_

**ORDER**

On 17 November 2017, Batangas II Electric Cooperative, Inc. (BATELEC II) filed an *Application* seeking the Commission's approval of adjustment in its rates based on the data of the fourth to sixth regulatory years of the first regulatory period for the second entrant group, pursuant to the Tariff Glide Path (TGP) rules.

BATELEC II alleged the following in its Application:

**THE APPLICANT**

1. BATELEC II is a non-stock, non-profit electric cooperative, duly organized and existing under Philippine laws, with principal office address at Brgy. Antipolo del Norte, Lipa City, Batangas;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the cities of Lipa and Tanauan, and the municipalities of Alitagtag, Balete, Cuenca, Laurel, Lobo, Mabini, Malvar, Mataas na Kahoy, Padre Garcia, Rosario, San Jose, San Juan, Taysan, Talisay and Tingloy, all in the province of Batangas.

**NATURE OF APPLICATION**

3. The instant Application is being filed for the approval of Applicant's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates based on the data of the Fourth to Sixth Years of the First Regulatory Period for the Second Entrant Group Cooperative and to be implemented on the First to Third Regulatory Years of the Second Regulatory Period, pursuant to the Tariff Glide Path Rules (TGP Rules) and other pertinent laws and rules.

**STATEMENT OF FACTS**

4. Sometime in 2016, Applicant filed with the Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2016-181 RC.

5. In the said application, Applicant prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented on January 2015, to wit:

**A. WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>124.12</b>
Distribution System Charge	PhP/kWh	<b>0.2877</b>	<b>0.3924</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>62.54</b>	<b>62.54</b>
Supply System Charge	PhP/kWh	<b>0.4334</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.23</b>	<b>57.50</b>	<b>57.50</b>
Metering System Charge	PhP/kWh	<b>0.3623</b>		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>120.44</b>
Distribution System Charge	PhP/kWh	<b>0.2792</b>	<b>0.3808</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>60.68</b>	<b>60.68</b>
Supply System Charge	PhP/kWh	<b>0.4206</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.08</b>	<b>55.80</b>	<b>55.80</b>
Metering System Charge	PhP/kWh	<b>0.3515</b>		

6. The foregoing application was Applicant's initial application for DSM rate adjustment pursuant to the TGP Rules, under which electric cooperatives are given an opportunity to adjust

their rates once every three (3) years, which may occur at the start of the fourth year of the First Regulatory Period and every three (3) years thereafter.

7. Applicant belongs to the Second Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2012 to December 31, 2017. Having filed its initial application for DSM rate adjustment on the third regulatory year of the First Regulatory Period, the cooperative is filing the instant Application in the current year 2017, the sixth regulatory year of the First Regulatory Period, for the proposed adjustment of its DSM rates based on the data of the Fourth to Sixth Years of the First Regulatory Period under the TGP Rules and to be implemented on the First to Third Regulatory Years of the Second Regulatory Period for the Second Entrant Electric Cooperatives.

8. Applicant's first TGP application under ERC Case No. 2016-181 RC is still pending evaluation of the Honorable Commission but in spite thereof, the Applicant is constrained to adopt and use the proposed DSM rates in the said application as its basis in computing the proposed adjustment in the instant Application.

**THE PROPOSED DSM RATE ADJUSTMENT**

9. Under the TGP Rules, the concerned electric cooperative shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

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

where

$$TGP_n = I_n - X_n + S_n$$

n = the fourth year of the Regulatory Period and succeeding Regulatory Periods

The TGP calculated for each of the three years will be summed to determine the possible rate adjustment starting on the First Year of the next Regulatory Period.

10. Applying the methodology embodied in the TGP Rules, herein Applicant calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"(B)	"X"(B)	"S"(B)	TGP B	TGP B (excluding S)
YEAR 2015	0.00%	0.00%	1.50%	1.50%	-0.00%
YEAR 2016	0.00%	4.79%	1.50%	-3.29%	-4.79%
YEAR 2017	0.00%	6.05%	1.10%	-4.95%	-6.05%
TOTAL				-6.74%	-10.84%

11. Utilizing the above values based on the Fourth to Sixth Regulatory Years of the First Regulatory Period will result in adjustments in Applicant's DSM Rates to be implemented on the First to Third Regulatory Years of the Second Regulatory Period for electric cooperatives belonging to the Second Entrant Group, as follows:

**A. WITH PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			115.76
Distribution System Charge	PhP/kWh	0.2683	0.3660	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		58.32	58.32
Supply System Charge	PhP/kWh	0.4042		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	4.88	53.63	53.63
Metering System Charge	PhP/kWh	0.3378		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			107.39
Distribution System Charge	PhP/kWh	0.2489	0.3395	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		54.11	54.11
Supply System Charge	PhP/kWh	0.3750		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	4.53	49.75	49.75
Metering System Charge	PhP/kWh	0.3134		

12. Consequently, Applicant is constrained to adjust its rates to either of the above two calculated alternative DSM rates, on the first regulatory year of the Second Regulatory Period for electric cooperatives belonging to Second Entrant Group under the TGP Rules.

**SUPPORTING DATA AND DOCUMENTS**

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

Annex Markings	Nature of Document
A to A-2	Proposed TGP B Calculations and supporting documents using the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR - Sections B and E (2013-2016)
C	Billing Determinants Template (2013-2016 kWh Sales, No. of Customers and kW Demand)
D	Sample Bills per customer type (2013-2016)
E	Regional CPI (2013-2016)
F	RFSC Utilization (2014-2016)
G	Consumer Complaints Summary or Tracking Form (2014-2016)
H	Audited Financial Statements (2014-2016)

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

14. 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 Markings	Nature of Document
I and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Lipa and Sangguniang Panlalawigan of Batangas
J and series	Publication of the Application in a newspaper of general circulation in BATELEC II's franchise area or where it principally operates, with Affidavit of Publication

**PRAYER**

**WHEREFORE**, premises considered, in compliance with the Tariff Glide Path Rules, Applicant BATELEC II respectfully prays of this Honorable Commission that after due notice and hearing, the Cooperative be allowed to implement either of the following two (2) alternative rates for its Distribution, Supply and Metering (DSM) Charges, on the First to Third Years of the Second Regulatory Period for electric cooperatives belonging to the Second Entrant Group, to wit:

**A. WITH PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>115.76</b>
Distribution System Charge	PhP/kWh	<b>0.2683</b>	<b>0.3660</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>58.32</b>	<b>58.32</b>
Supply System Charge	PhP/kWh	<b>0.4042</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>4.88</b>	<b>53.63</b>	<b>53.63</b>
Metering System Charge	PhP/kWh	<b>0.3378</b>		

**B. EXCLUDING PERFORMANCE INCENTIVE “S”**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>107.39</b>
Distribution System Charge	PhP/kWh	<b>0.2489</b>	<b>0.3395</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>54.11</b>	<b>54.11</b>
Supply System Charge	PhP/kWh	<b>0.3750</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>4.53</b>	<b>49.75</b>	<b>49.75</b>
Metering System Charge	PhP/kWh	<b>0.3134</b>		

Other reliefs, just and equitable in the premises are likewise prayed for.

Finding the said Application to be 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 **12 April 2018 at ten o'clock in the morning (10:00 A.M.), at BATELEC II's principal office at Brgy. Antipolo del Norte, Lipa City, Batangas .**

Accordingly, BATELEC 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 its 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 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 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.

BATELEC 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, 26 February 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS/SLAN/ARG/CLS/APV



**COPY FURNISHED:**

1. Batangas II Electric Cooperative, Inc. (BATELEC II)  
*Applicant*  
Brgy. Antipolo del Norte, Lipa City, Batangas
2. Atty. Jeremiah D. Francisco  
DECHAVEZ & EVANGELISTA LAW OFFICES  
*Counsel for Applicant BATELEC II*  
Unit 2008, 20<sup>th</sup> Floor Tycoon Centre, Pearl Drive, Ortigas Center, Pasig City 1605
3. Office of the Mayor  
Lipa City, Batangas
4. Office of the LGU legislative body  
Lipa City, Batangas
5. Office of the Mayor  
Tanauan City, Batangas
6. Office of the LGU legislative body  
Tanauan City, Batangas
7. Office of the Mayor  
Alitagtag, Batangas
8. Office of the LGU legislative body  
Alitagtag, Batangas
9. Office of the Mayor  
Balete, Batangas
10. Office of the LGU legislative body  
Balete, Batangas

**ERC CASE NO. 2017-107 RC**  
**ORDER/26 FEBRUARY 2018**  
**PAGE 10 OF 11**

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11. Office of the Mayor  
Cuenca, Batangas
12. Office of the LGU legislative body  
Cuenca, Batangas
13. Office of the Mayor  
Laurel, Batangas
14. Office of the LGU legislative body  
Laurel, Batangas
15. Office of the Mayor  
Lobo, Batangas
16. Office of the LGU legislative body  
Lobo, Batangas
17. Office of the Mayor  
Mabini, Batangas
18. Office of the LGU legislative body  
Mabini, Batangas
19. Office of the Mayor  
Malvar, Batangas
20. Office of the LGU legislative body  
Malvar, Batangas
21. Office of the Mayor  
Mataas na Kahoy, Batangas
22. Office of the LGU legislative body  
Mataas na Kahoy, Batangas
23. Office of the Mayor  
Padre Garcia, Batangas
24. Office of the LGU legislative body  
Padre Garcia, Batangas
25. Office of the Mayor  
Rosario, Batangas
26. Office of the LGU legislative body  
Rosario, Batangas
27. Office of the Mayor  
San Jose, Batangas
28. Office of the LGU legislative body  
San Jose, Batangas
29. Office of the Mayor  
San Juan, Batangas
30. Office of the LGU legislative body  
San Juan, Batangas
31. Office of the Mayor  
Taysan, Batangas
32. Office of the LGU legislative body  
Taysan, Batangas
33. Office of the Mayor  
Talisay, Batangas

**ERC CASE NO. 2017-107 RC**  
**ORDER/26 FEBRUARY 2018**  
**PAGE 11 OF 11**

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34. Office of the LGU legislative body  
Talisay, Batangas
35. Office of the Mayor  
Tingloy, Batangas
36. Office of the LGU legislative body  
Tingloy, Batangas
37. Office of the Governor  
Province of Batangas
38. Office of the LGU legislative body  
Province of Batangas
39. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
40. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City
41. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
42. House Committee on Energy  
Batasan Hills, Quezon City
43. 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
44. Regulatory Operations Service (ROS)  
[Tariffs and Rates Division (TRD)]  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City