

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Ave., 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. 2017-036 RC

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

Applicant.

X-----X

DOCKED
Date: APR 25 2018
By: _____

ORDER

On 27 April 2017, San Jose Electric Cooperative, Inc. (SAJELCO) filed an *Application* dated 21 April 2017 (*Application*) for the approval of rate adjustment in accordance with the rules governing Tariff Glide Path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperative's Wheeling Rates (RSEC-WR).

In its *Application*, SAJELCO alleged the following:

1. That applicant is an electric cooperative duly organized under the laws of the Philippines with principal office address at Maharlika Highway, Abar 1st, 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;

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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.	0.5376	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:

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 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 second regulatory period is from January 1, 2015 to December 31, 2017. SAJELCO, herein applicant, belongs to the Second Entrant Group.

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8. Furthermore, under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory Period, to wit:

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

$$TGP_n = I_n - X_n + S_n$$

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.

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 B	TGP B (Excluding "S")
Year 2015	0.00%	3.65%	1.50%	-2.15%	-3.65%
Year 2016	0.00%	4.19%	1.70%	-2.49%	-4.19%
Year 2017	0.00%	0.00%	1.90%	1.90%	0.00%
Net Results				-2.74%	-7.84%

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

Type of Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.4613	0.5229	0.5058	0.5085	0.4661
	Supply	PhP/kWh	0.5376	0.6094	0.5895	0.5927	0.5432
	Metering	PhP/kWh	0.3205	0.3633	0.3514	0.3533	0.3239
	Metering	PhP/meter/mo	5.00	5.67	5.48	5.51	5.05
LOW VOLTAGE	Distribution	PhP/kWh	0.4441	0.5034	0.4870	0.4896	0.4488
	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.12
HIGHER VOLTAGE	Distribution	PhP/kW	167.56	189.93	183.73	184.72	169.32
	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.12

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 Consumer	Particulars	Unit	Rate @ end of the transition period (in PhP/kWh)	Rate @ 1st tariff glide path adjustment (in PhP/kWh)	Rate @ 1st tariff glide path adjustment excluding S (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment (in PhP/kWh)	Rate calculated @ 2nd tariff glide path adjustment excluding S (in PhP/kWh)
Residential	Distribution	PhP/kWh	0.4613	0.5229	0.5058	0.5085	0.4661
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	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.42
HIGHER VOLTAGE	Distribution	PhP/kWh	167.56	189.93	183.73	184.72	169.32
	Supply	PhP/cust/mo	46.60	52.82	51.10	51.37	47.09
	Metering	PhP/meter/mo	32.78	37.16	35.94	36.14	33.42

Other relief/s 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 **16 May 2018 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at SAJELCO's Principal Office at Maharlika Highway, San Jose City, Nueva Ecija.**

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 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 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 request 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 the 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 the Application and 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 the 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 directed 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 Judicial Affidavit form, to be attached to the Pre-trial Brief.

Failure of SAJELCO 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 said date of cancellation.

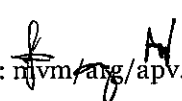
SAJELCO must also be prepared to make an Expository Presentation of its *Application*, aided by whatever communication medium it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all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

SO ORDERED.

Pasig City, 11 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO

LS:  /apv.2017-036 RC SAJELCO



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Copy furnished:

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2. San Jose City Electric Cooperative, Inc. (SAJELCO)
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3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village , Makati City
4. Commission on Audit
Commonwealth Ave., Quezon City
5. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
6. The House Committee on Energy
Batasan Hills, Quezon City
7. Office of the President of PCCI
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
8. Office of the Governor
Province of Nueva Ecija
9. Office of the Sangguniang Panlalawigan
Province of Nueva Ecija
10. Office of City Mayor
San Jose City, Nueva Ecija
11. Office of the Sangguniang Panglungsod
San Jose City, Nueva Ecija
12. Office of the City Mayor
Science City of Muñoz, Nueva Ecija
13. Office of the Sangguniang Panglungsod
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14. Office of the Municipal Mayor
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15. Office of the Sangguniang Bayan
Carranglan, Nueva Ecija
16. Office of the Municipal Mayor
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18. Regulatory Operations Service (ROS)
17F Pacific Center Building, San Miguel Avenue, Pasig City