

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 TARIFF  
GLIDE PATH FOR THE  
FOURTH TO SIXTH  
REGULATORY YEARS OF  
THE FIRST REGULATORY  
PERIOD FOR THE SECOND  
ENTRANT GROUP UNDER  
THE TARIFF GLIDE PATH  
(TGP) RULES, WITH  
MOTION FOR  
PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-019 RC**

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

Applicant.

X-----X

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

Date: JUL 04 2018

By: \_\_\_\_\_

**ORDER**

On 26 March 2018, Applicant South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an Application seeking the Commission's approval for the adjustment in its 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:

**THE APPLICANT**

1. SOCOTECO II 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 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.

**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 to be implemented on the First to Third Regulatory Years of the Second Regulatory Period for Electric Cooperatives belonging to the Second Entrant Group under the Tariff Glide Path Rules (TGP Rules) and pursuant to said Rules, as well as other pertinent laws and rules.

**STATEMENT OF FACTS**

4. Sometime in 2014, 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. 2014-069 RC.
5. In the said application, Applicant prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective 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	-	-	120.0950
Distribution System Charge	PhP/kWh	0.2784	0.3797	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	60.5108	60.5108
Supply System Charge	PhP/kWh	0.4194	-	-
<b>Metering Charges:</b>				
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
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	118.5538

Distribution System Charge	PhP/kWh	0.2748	0.3748	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	-

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 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 in 2014 which is the third regulatory year of the First Regulatory Period, the cooperative is filing the instant for the proposed adjustment of its DSM rates to be implemented on the first to the third regulatory years of the Second Regulatory Period for the Second Entrant Electric Cooperatives under the TGP Rules;
8. Applicant's first TGP application under ERC Case No. 2014-069 RC is still pending evaluation of the Honorable Commission but in spite thereof, it adopted and is using the proposed DSM rates in the said application as its bases 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, 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)
<b>YEAR 2015</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.30%</b>	<b>1.30%</b>	<b>0.00%</b>
<b>YEAR 2016</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.30%</b>	<b>1.30%</b>	<b>0.00%</b>
<b>YEAR 2017</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.70%</b>	<b>0.70%</b>	<b>0.00%</b>
<b>TOTAL</b>				<b>3.30%</b>	<b>0.00%</b>

11. Utilizing the above values will result in adjustment in Applicant's DSM Rates covering the first to third 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			<b>124.0581</b>
Distribution System Charge	PhP/kWh	<b>0.2876</b>	<b>0.3922</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		<b>62.5077</b>	<b>62.5077</b>
Supply System Charge	PhP/kWh	<b>0.4332</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.2321</b>	<b>57.4728</b>	<b>57.4728</b>
Metering System Charge	PhP/kWh	<b>0.3621</b>		

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

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

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, to be made effective January 1, 2018 and up to December 31, 2020, assuming that the rates applied for in its TGP A Application under ERC Case No. 2014-069 RC are approved. SOCOTECO II however, further prays that said proposed rates be increased or adjusted accordingly, should the Honorable Commission find the same be in accordance with the TGP Rules, justified and reasonable.

**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 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)

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

14. Applicant respectfully repleads herein the foregoing allegations;
15. Applicant respectfully prays that it be allowed to implement the proposed rate adjustment effective January 1, 2018, considering that it is expressly prescribed under the TGP

Rules' provision on Regulatory Period and Process, which provides in part, as follows:

"2. Regulatory Period and Process

2.1 On or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Periods, the electric cooperative may file before the Commission an application for a rate adjustment reflecting the values for the "I", "X" and "S" as determined in accordance with these rules. ***The initial tariff caps of the respective ECs shall be adjusted by the "I, "X" and "S" effective at the start of the Fourth Regulatory Year of the First Regulatory Period x xx***" (Emphasis ours)

16. Under the TGP Rules, 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 and the start of the Fourth Regulatory Year is January 1, 2015. Applicant belongs to the Second Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2018;
17. Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates effective January 1, 2018 and even during the pendency of the instant application, considering that it urgently needs additional funds to be able to cope with the rising costs of its operations. Among the major factors that added to its operating costs is the implementation of the Sitio Energization Program (SEP) of the government consisting of massive extension of its distribution lines up to the remotest and far-flung areas which considerably increased its operations and maintenance costs and likewise resulted to increased system losses which the cooperative is constrained to absorb;
18. Further, the rising cost of materials, tools, equipment, supplies, fuel and other costs incidental to its daily operations has considerably increased these past several years and the funds being generated from Applicant's DSM charges, the rates of which were granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), are no longer sufficient to cover those costs, and if not addressed accordingly with the further adjustment of its rates, Applicant's service to its consumers will be prejudiced.
19. Considering the foregoing, it is respectfully prayed that Applicant be allowed to implement the proposed increase in DSM Rates effective January 1, 2018, even while the instant

application is pending hearing or evaluation of the Honorable Commission.

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

20. Finally, in compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, Applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
I	Judicial Affidavit in support of the Motion for Provisional Authority
J and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of General Santos City and Sangguniang Panlalawigan of South Cotabato
K and series	Proof of publication of the Application in a newspaper of general circulation in SOCOTECO II's franchise area or where it principally operates

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, Applicant SOCOTECO II be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, to be made effective January 2018, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			124.0581
Distribution System Charge	PhP/kWh	0.2876	0.3922	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo		62.5077	62.5077
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Retail Customer Charge	PhP/Meter/Mo.	5.2321	57.4728	57.4728
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**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			118.5538

Distribution System Charge	PhP/kWh	<b>0.2748</b>	<b>0.3748</b>	
<b>Supply Charges:</b>				
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<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.0000</b>	<b>54.9228</b>	<b>54.9228</b>
Metering System Charge	PhP/kWh	<b>0.3460</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 **13 September 2018 at ten o'clock in the morning (10:00 A.M.) at SOCOTECO II Main Office in Catolico Sr. St., 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 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:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be 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.

SOCOTECO 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, 18 June 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Commissioner*

Copy furnished:

1. Atty. Nelson Evangelista  
Counsel for SOCOTECO II  
Unit 2008 Tycoon Centre  
Pearl Drive, Ortigas Center, Pasig City
2. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
3. Commission on Audit  
Commonwealth Ave., Quezon City
4. The Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
5. The House Committee on Energy  
Batasan Hills, Quezon City
6. The Municipal Mayor  
Glan, Sarangani
7. Office of the Sangguniang Bayan  
Glan, Sarangani
8. Office of the Municipal Mayor  
Malapatan, Sarangani
9. Office of the Sangguniang Bayan  
Malapatan, Sarangani
10. Office of the Municipal Mayor  
Alabel, Sarangani
11. Office of the Sangguniang Bayan  
Alabel, Sarangani
12. Office of the Municipal Mayor  
Malungon, Sarangani
13. Office of the Sangguniang Bayan  
Malungon, Sarangani
14. Office of the Municipal Mayor  
Kiamba, Sarangani
15. Office of the Sangguniang Bayan  
Kiamba, Sarangani
16. Office of the Municipal Mayor  
Maasim, Sarangani
17. Office of the Sangguniang Bayan  
Maasim, Sarangani
18. Office of the Municipal Mayor  
Maitum, Sarangani
19. Office of the Sangguniang Bayan  
Maitum, Sarangani
20. Office of the Municipal Mayor  
Polomolok, South Cotabato

21. Office of the Sangguniang Bayan  
Polomolok, South Cotabato
22. Office of the Municipal Mayor  
Tupi, South Cotabato
23. Office of the Sangguniang Bayan  
Tupi, South Cotabato
24. Office of the City Mayor  
General Santos City, South Cotabato
25. Office of the Sangguniang Panlungsod  
General Santos City, South Cotabato
26. Office of the Provincial Governor  
Province of South Cotabato
27. Office of the Sangguniang Panlalawigan  
Province of South Cotabato
28. Office of the Sangguniang Panlalawigan  
Province of Sarangani
29. Office of the Provincial Governor  
Province of Sarangani
30. National Grid Corporation of the Philippines (NGCP)  
Quezon Avenue corner BIR Road, Diliman, Quezon City
31. Regulatory Operations Service  
ERC  
17/F Pacific Center Bldg., San Miguel Ave.  
Ortigas, Pasig City