

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE TARIFF  
GLIDE PATH "B" (TGP "B")  
CALCULATION, PURSUANT  
TO ARTICLE VII OF THE  
RSEC-WR AND ERC  
RESOLUTION NO. 8, SERIES  
OF 2011, WITH PRAYER  
FOR PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-026 RC**

**ZAMBOANGA DEL NORTE  
ELECTRIC COOPERATIVE,  
INC. (ZANECO),**

***Applicant.***

X-----X

**D O C K E T E D**  
Date: JUL 26 2018  
By: [Signature]

**ORDER**

On 26 April 2018, an *Application* dated 3 April 2018 was filed by Applicant Zamboanga Del Norte Electric Cooperative, Inc. (ZANECO), seeking the Commission's approval of its Tariff Glide Path "B" (TGP "B") calculation, pursuant to Article VII of the Rules for Setting Electric Cooperatives'– Wheeling Rates (RSEC-WR) and ERC Resolution No. 8, Series of 2011, with prayer for the issuance of provisional authority.

ZANECO alleged the following in its *Application*:

**THE APPLICANT**

1. Applicant ZANECO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at General Luna St., Dipolog City, Zamboanga del Norte, Philippines, represented herein by its General Manager, Adelmo P. Laput, duly authorized by virtue of Board Resolution No. 038, 038-A and 038-B, series of 2018 all dated 01 March 2018, of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof;

The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the Cities of Dapitan and Dipolog, and the Municipalities of Rizal, Sibutad, La Libertad, Piñan, Mutia, Polanco, S. Osmeña, Katipunan, Roxas, Manukan, Jose Dalman, Sindangan, Siayan, Leon Postigo, Salug, Godod, Liloy, Labason, Gutalac, Tampilisan, and Kalawit, all in the Province of Zamboanga del Norte;

**THE APPLICATION AND ITS PURPOSE**

3. That, on September 23, 2009, the Honorable Commission issued and approved Resolution No. 20 Series of 2009, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR);
4. That, pursuant to the afore-mentioned ERC Resolution, Applicant filed an Application and an amended Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on November 9 and November 13, 2009, respectively. Accordingly, after the required public hearing, ERC in its Decision dated September 27, 2010 granted Applicant the following rates:

<b>Particulars</b>		<b>Residential</b>	<b>Low Voltage</b>	<b>Higher Voltage</b>
<b>Distribution Charges:</b>				
	PhP/Kw			<b>219.68</b>
	PhP/kWh	<b>0.5782</b>	<b>0.7595</b>	
<b>Supply Charges:</b>				
	PhP/cust/mo		<b>42.92</b>	<b>42.92</b>
	PhP/kWh	<b>0.6001</b>		
<b>Metering Charges:</b>				
	PhP/cust/mo	<b>5.00</b>	<b>35.94</b>	<b>35.94</b>
	PhP/kWh	<b>0.4326</b>		

5. That, on April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;

6. That, after series of public consultations conducted by the ERC in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the “Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric cooperatives’ Wheeling Rates;
7. That, pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index “I”} - \text{Efficiency Factor “X”} + \text{Performance Incentive “S”}]$$

The Index, “I” shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the 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 the above or below standard performance, respectively.

8. Accordingly, on 26 May 2015, Applicant ZANECO filed an application for the approval of the proposed Tariff Glide Path calculation for the first to the third year of the first regulatory period (**TGP “A”**) docketed as ERC Case No. 2015-103RC as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.5825	0.5958
	Supply	PhP/kWh	0.6001	0.6045	0.6184
	Metering	PhP/kWh	0.4326	0.4358	0.4458
	Metering	PhP/meter/mo	5.00	5.04	5.15
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.7651	0.7826
	Supply	PhP/cust/mo	42.92	43.24	44.23
	Metering	PhP/meter/mo	35.94	36.21	37.03
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	221.31	226.36
	Supply	PhP/cust/mo	42.92	43.24	44.23
	Metering	PhP/meter/mo	35.94	36.21	37.03

9. Pending resolution of ERC Case No. 2015-103RC, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (**TGP “B”**):

**9.a. Index “I” Calculation**

9.a.1. CPI Calculation (2015-2018)

Particulars	Average CPI	CPI
<b>YEAR n-1 (2015)</b>	149.80	
<b>YEAR n (2016)</b>	153.60	2.54 %
<b>YEAR n+1 (2017)</b>	158.10	2.93%
<b>YEAR n+2 (2018)</b>	161.90	2.40 %

9.a.2. Growth Rate Calculation (2015-2018)

Particulars	Total KWh Sales	GR
YEAR n-1 (2015)	158,508,130.90	
YEAR n (2016)	172,466,133.90	8.81 %
YEAR n+1 (2017)	188,072,972.40	9.05 %
YEAR n+2 (2018)	190,119,028.60	1.09 %

9.b. Efficiency Factor "X" Calculation

9.b.1. Calculation of Man-hours (2015-2018)

Particulars	2015	2016	2017	2018
Regular	562,642	476,241	506,770	508,681
General Manager	1,992	1,992	1,992	1,992
Board of Directors	1920	1920	1920	1920
Job Order	188,263	357,698	435,556	455,072
Outsourced	135,456	59,760	29,880	49,800
Legal Retainers	960	960	960	960
External Auditor	320	320	320	320
Information Consultant	1,992	3,984	5,976	3,984
Community Organizers	3,984	5,976	5,976	3,984
Band Consultant	5,976	3,984	3,984	3,984
Utility Personnel	17,928	19,968	22,464	23,136
Security Personnel	99,600	163,072	163,072	163,072
<b>Total Manhours</b>	<b>1,021,033</b>	<b>1,095,875</b>	<b>1,178,870</b>	<b>1,216,905</b>

9.b.2. FTE/CPE (2015-2018)

Particulars	2015	2016	2017	2018
<b>TOTAL MANHOURS</b>	1,021,033	1,095,875	1,178,870	1,216,905
<b>Full time equivalent man hours per year</b>	2,080	2,080	2,080	2,080
<b>FTE</b>	491	527	567	585
<b>Total number of billed connections (yearend)</b>	99,420	106,413	113,102	116,901
<b>CPE</b>	203	202	200	200

**9.c. Performance Incentive “S” Calculation**

9.c.1. SAIDI Calculation (2016-2018)

	2016	2017	2018
<b>Customer Minutes Affected</b>	163,518,672	206,565,230.30	71,753,478.72
<b>No. of Billed Customers</b>	103,624	109,369	115,808
<b>SAIDI</b>	<b>1,578</b>	<b>1,888.70</b>	<b>619.59</b>

9.c.2. SAIFI Calculation (2016-2018)

	2016	2017	2018
<b>Customers Affected</b>	2,633,085.84	2,693,758.47	1,937,467.84
<b>Customers served</b>	103,624	109,369	115,808
<b>SAIFI</b>	25.41	24.63	16.73

9.c.3. SL Calculation (2015-2018)

MWH	2015	2016	2017	2018
<b>kWh Purchased</b>	180,519,890	197,115,571	219,485,318	226,148,368
<b>kWh Sold</b>	158,508,131	172,466,134	188,072,973	190,119,028
<b>System Loss (in kWh)</b>	22,011,759	24,649,437	31,412,345	36,029,340
<b>System Loss (in %)</b>	12.19%	12.51%	14.31%	15.93%

Details of the aforementioned calculations are provided and contained in **Annex “B”** hereof.

10. That, as observed, there is a minimal upward adjustment in Applicant’s rates resulting in a **2.73%** adjustment including “S” and **1.23%** adjustment excluding “S” on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
<b>YEAR 2016</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.30 %</b>	<b>0.30 %</b>	<b>0.00 %</b>
<b>YEAR 2017</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>	<b>0.00 %</b>
<b>YEAR 2018</b>	<b>1.32 %</b>	<b>0.09 %</b>	<b>1.20 %</b>	<b>2.43 %</b>	<b>1.23 %</b>
<b>TOTAL</b>				<b>2.73 %</b>	<b>1.23 %</b>

11. That, in support of the application, attached herewith in a separate bundle are the following:

As Annex	Document
“C”	- Regional CPI for the years 2014-2017
“D”	- Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2014-2017)
“E”	- Consumer Complaints (Summary or tracking form) for the years 2015-2017
“F”	- Total Compensable Manhours (2014-2017)
“G”	- Performance Incentive Indicator (SAIDI, SAIFI, SL 2014-2017)
“H”	- MFSR (Sections B & E) (2014-2017)
“I”	- RFSC/Reinvestment fund Utilization for the years 2015-2017
“J”	- Sample Bills (1 per customer type for the years 2014-2017)
“K”	- Audited Financial Statement (2015-2017)

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

12. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the City of Dipolog where Applicant principally operates and the Legislative Body of the Province of Zamboanga del Norte. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
13. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes “L” and “M”**, respectively. Likewise, attached hereto as **Annexes “N” and “O”** are the Affidavit of Publication and the newspaper issue containing the published Application;
14. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was

conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application.

**APPLICATION FOR PROVISIONAL AUTHORITY**

15. That the current rate is no longer responsive and adequate to the needs of the Applicant considering that the costs of providing electric service to the consumers increased significantly;
16. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
17. That, considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;
18. That, the provisional authority thus prayed for would bring forth relief on the financial constraints suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Power Trading and Tariff Supervisor of Applicant, Ms. Karen P. Ajias, in support of the prayer for provisional authority marked as **Annex "P"**.

**PRAYER**

**WHEREFORE**, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the proposed Tariff Glide Path "B" Rates (TGP "B") calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.5984	0.6031
	Supply	PhP/kWh	0.6001	0.6210	0.6259
	Metering	PhP/kWh	0.4326	0.4477	0.4512
	Metering	PhP/meter/mo	5.00	5.1744	5.2152
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.7860	0.7922
	Supply	PhP/cust/mo	42.92	44.42	44.77
	Metering	PhP/meter/mo	35.94	37.19	37.49
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	227.34	229.14
	Supply	PhP/cust/mo	42.92	44.42	44.77
	Metering	PhP/meter/mo	35.94	37.19	37.49

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

Other reliefs, just and equitable under 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 **30 August 2018 at two o'clock in the afternoon (2:00 P.M.), at ZANECO's principal office at Dipolog City, Zamboanga del Norte.**

Accordingly, ZANECO 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.

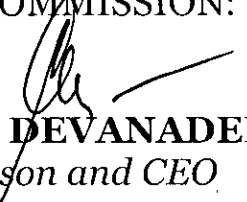
Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

ZANECO 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.**

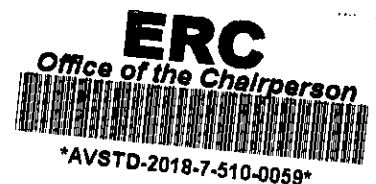
Pasig City, 10 July 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
Chairperson and CEO

  
LS/SLAN/ARC/GLS/APV

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Copy furnished:

1. Atty. Allan Bryne S. Gaviola  
Counsel for Applicant ZANECO  
Rm. 203, 2/F Crown Port View Hotel,  
3<sup>rd</sup> Ave., North Reclamation Area, Cebu City
2. Zamboanga Del Norte Electric Cooperative, Inc. (ZANECO)  
Applicant  
General Luna St., Dipolog City, Zamboanga del Norte

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3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
6. House of Representatives Committee on Energy  
Batasan Hills, Quezon City
7. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Governor  
Province of Zamboanga del Norte
9. Office of the LGU Legislative Body  
Province of Zamboanga del Norte
10. Office of the Mayor  
City of Dapitan
11. Office of the LGU Legislative Body  
City of Dapitan
12. Office of the Mayor  
City of Dipolog
13. Office of the LGU Legislative Body  
City of Dipolog
14. Office of the Mayor  
Rizal, Zamboanga del Norte
15. Office of the LGU Legislative Body  
Rizal, Zamboanga del Norte
16. Office of the Mayor  
Sibutad, Zamboanga del Norte
17. Office of the LGU legislative body  
Sibutad, Zamboanga del Norte
18. Office of the Mayor  
La Libertad, Zamboanga del Norte
19. Office of the LGU legislative body  
La Libertad, Zamboanga del Norte
20. Office of the Mayor  
Piñan, Zamboanga del Norte
21. Office of the LGU legislative body  
Piñan, Zamboanga del Norte
22. Office of the Mayor  
Mutia, Zamboanga del Norte
23. Office of the LGU legislative body  
Mutia, Zamboanga del Norte
24. Office of the Mayor  
Polanco, Zamboanga del Norte
25. Office of the LGU legislative body  
Polanco, Zamboanga del Norte

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26. Office of the Mayor  
S. Osmeña, Zamboanga del Norte
27. Office of the LGU legislative body  
S. Osmeña, Zamboanga del Norte
28. Office of the Mayor  
Katipunan, Zamboanga del Norte
29. Office of the LGU legislative body  
Katipunan, Zamboanga del Norte
30. Office of the Mayor  
Roxas, Zamboanga del Norte
31. Office of the LGU legislative body  
Roxas, Zamboanga del Norte
32. Office of the Mayor  
Manukan, Zamboanga del Norte
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Manukan, Zamboanga del Norte
34. Office of the Mayor  
Jose Dalman, Zamboanga del Norte
35. Office of the LGU legislative body  
Jose Dalman, Zamboanga del Norte
36. Office of the Mayor  
Sindangan, Zamboanga del Norte
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Siayan, Zamboanga del Norte
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Leon Postigo, Zamboanga del Norte
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42. Office of the Mayor  
Salug, Zamboanga del Norte
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44. Office of the Mayor  
Godod, Zamboanga del Norte
45. Office of the LGU legislative body  
Godod, Zamboanga del Norte
46. Office of the Mayor  
Liloy, Zamboanga del Norte
47. Office of the LGU legislative body  
Liloy, Zamboanga del Norte
48. Office of the Mayor  
Labason, Zamboanga del Norte
49. Office of the LGU legislative body  
Labason, Zamboanga del Norte

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50. Office of the Mayor  
Gutalac, Zamboanga del Norte
51. Office of the LGU legislative body  
Gutalac, Zamboanga del Norte
52. Office of the Mayor  
Tampilisan, Zamboanga del Norte
53. Office of the LGU legislative body  
Tampilisan, Zamboanga del Norte
54. Office of the Mayor  
Kalawit, Zamboanga del Norte
55. Office of the LGU legislative body  
Kalawit, Zamboanga del Norte
56. Regulatory Operations Service (ROS)  
[Tariffs and Rates Division (TRD)]  
17<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City