

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADJUSTMENT IN RATES TO
COVER THE FIRST TO
THIRD REGULATORY
YEARS OF THE SECOND
REGULATORY PERIOD FOR
THE THIRD ENTRANT
ELECTRIC COOPERATIVES
UNDER THE TARIFF GLIDE
PATH (TGP) RULES**

ERC CASE NO. 2018-022 RC

**NEGROS ORIENTAL II
ELECTRIC COOPERATIVE,
INC. (NORECO II)**

Applicant.

X-----X

D O C K E T E D

Date: AUG 01 2018

By: _____

ORDER

On 26 April 2018, the Negros Oriental II Electric Cooperative (NORECO II), Inc. filed an *Application* dated 4 April 2018, seeking the approval of adjustment in rates to cover the first to third regulatory period for the third entrant Electric Cooperatives under the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

NORECO II alleged the following in its *Application*:

THE APPLICANT

1. NORECO II is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Real St., Dumaguete City, Negros Oriental;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the cities of Bayawan, Tanjay and Dumaguete, and the municipalities of Amlan, Bacong, Basay, Dauin, Pamplona, San Jose,

Dauin, Pamplona, San Jose, Siaton, Sibulan, Sta. Catalina, Valencia and Zamboanguita, all in the province of Negros Oriental.

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 Third 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 2015, Applicant filed with the Honorable Commission an application for approval of the proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2015-109RC.
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 2016, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			240.61
Distribution System Charge	PhP/kWh	0.6333	0.8319	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.01	47.01
Supply System Charge	PhP/kWh	0.6573		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.48	39.36	39.36
Metering System Charge	PhP/kWh	0.4738		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			237.97
Distribution System Charge	PhP/kWh	0.6264	0.8227	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		46.49	46.49

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Supply System Charge	PhP/kWh	0.6501		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.42	38.93	38.93
Metering System Charge	PhP/kWh	0.4686		

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 Third Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2013 to December 31, 2018. Having filed its initial application for DSM rate adjustment in 2015, the third regulatory year of the First Regulatory Period, the cooperative is filing the instant Application in the current year 2018, the sixth regulatory year of the First Regulatory Period, 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 Third Entrant Electric Cooperatives under the TGP Rules;
8. Applicant's first TGP application under ERC Case No. 2015-109 RC is still pending evaluation of the Honorable Commission but in spite thereof, it adopted and used the proposed DSM rates in the said application as base rates in computing the proposed adjustments 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.

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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)
YEAR 2016	0.00%	0.00%	0.40%	0.40%	0.00%
YEAR 2017	0.00%	3.82%	1.10%	-2.72%	-3.82%
YEAR 2018	1.78%	3.47%	1.10%	-0.59%	-1.69%
TOTAL				-2.91%	-5.51%

11. Utilizing the above values will result in downward adjustment of Applicant’s proposed DSM Rates under ERC Case No. 2015-109 RC, as follows:

A. WITH PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			233.61
Distribution System Charge	PhP/kWh	0.6149	0.8077	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.64	45.64
Supply System Charge	PhP/kWh	0.6382		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.32	38.22	38.22
Metering System Charge	PhP/kWh	0.4600		

B. EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			224.87
Distribution System Charge	PhP/kWh	0.5919	0.7774	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		43.93	43.93
Supply System Charge	PhP/kWh	0.6143		

Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.12	36.79	36.79
Metering System Charge	PhP/kWh	0.4428		

12. Consequently, in compliance with the TGP Rules, Applicant hereby applies to implement either of the above two calculated alternative DSM rates, to be made effective starting January 1, 2019 and up to December 31, 2021.

SUPPORTING DATA AND DOCUMENTS

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

Annex Markings	Nature of Document
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
B	MFSR - Sections B and D (2014-2017)
C	Billing Determinants Template (2014-2017 kWh Sales, No. of Customers and kW Demand)
D	Sample Bills per customer type (2014-2017)
E	Negros Island Region CPI (2014-2016) Region VII CPI (2017)
F	RFSC Utilization (2015-2017)
G	Consumer Complaints Summary (2015-2017)
H	Audited Financial Statements (2015-2017)

SUBMISSION OF PRE-FILING REQUIREMENTS

14. Finally, in compliance with the pre-filing requirements for instant application 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:

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Annex Markings	Nature of Document
I I-1	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Dumaguete City and Sangguniang Panlalawigan of Negros Oriental
J J-1	Proof of publication of the Application in a newspaper of general circulation in NORECO II's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, pursuant to and in compliance with the Tariff Glide Path (TGP) Rules, Applicant NORECO II respectfully prays of this Honorable Commission that after due notice and hearing, it be allowed to implement either of the following two (2) alternative rates for its Distribution, Supply and Metering (DSM) Charges, to be made effective starting January 1, 2019, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			233.61
Distribution System Charge	PhP/kWh	0.6149	0.8077	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		45.64	45.64
Supply System Charge	PhP/kWh	0.6382		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.32	38.22	38.22
Metering System Charge	PhP/kWh	0.4600		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			224.87
Distribution System Charge	PhP/kWh	0.5919	0.7774	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		43.93	43.93

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Supply System Charge	PhP/kWh	0.6143		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.12	36.79	36.79
Metering System Charge	PhP/kWh	0.4428		

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 **29 August 2018 (Wednesday) at one o'clock in the afternoon (1:00 P.M.) at NORECO II's Principal's Office at Real St., Dumaguete City, Negros Oriental.**

Accordingly, NORECO 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 Governors, the City/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 the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, 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 were 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, LGU legislative body, or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 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 proof 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 the 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 therefor; 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.

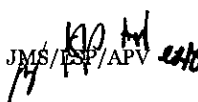
NORECO II must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application*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

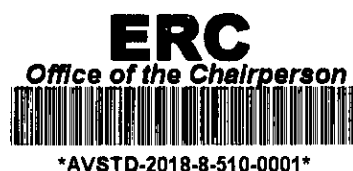
SO ORDERED.

Pasig City, 20 July 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson & CEO

LS: JMS/ESP/APV 



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Copy Furnished:

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Pearl Drive, Ortigas Center, Pasig City
2. Negros Oriental II Electric Cooperative Inc., (NORECO II)
Applicant
Real St., Dumaguete City, Negros Oriental
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit
Commonwealth Avenue, Quezon City
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
6. House Committee on Energy
Batasan Hills, Quezon City
7. 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 Negros Oriental
9. Office of the LGU legislative body
Province of Negros Oriental
10. Office of the City Mayor
Bayawan City, Negros Oriental
11. Local Government Unit (LGU) legislative body
Bayawan City, Negros Oriental
12. Office of the City Mayor
Tanjay, Negros Oriental
13. Local Government Unit (LGU) legislative body
Tanjay, Negros Oriental
14. Office of the City Mayor
Dumaguete City, Negros Oriental
15. Local Government Unit (LGU) legislative body
Dumaguete City, Negros Oriental
16. Office of the Mayor
Amlan, Negros Oriental
17. Office of the LGU legislative body
Amlan, Negros Oriental
18. Office of the Mayor
Bacong, Negros Oriental
19. Office of the LGU legislative body
Bacong, Negros Oriental
20. Office of the Mayor
Basay, Negros Oriental
21. Office of the LGU legislative body
Basay, Negros Oriental

22. Office of the Mayor
Dauin, Negros Oriental
23. Office of the LGU legislative body
Dauin, Negros Oriental
24. Office of the Mayor
Pamplona, Negros Oriental
25. Office of the LGU legislative body
Pamplona, Negros Oriental
26. Office of the Mayor
San Jose, Negros Oriental
27. Office of the LGU legislative body
San Jose, Negros Oriental
28. Office of the Mayor
Siaton, Negros Oriental
29. Office of the LGU legislative body
Siaton, Negros Oriental
30. Office of the Mayor
Sibulan, Negros Oriental
31. Office of the LGU legislative body
Sibulan, Negros Oriental
32. Office of the City Mayor
Sta. Catalina, Negros Oriental
33. Office of the LGU legislative body
Sta. Catalina, Negros Oriental
34. Office of the City Mayor
Valencia, Negros Oriental
35. Office of the LGU legislative body
Valencia, Negros Oriental
36. Office of the Mayor
Zamboanguita, Negros Oriental
37. Office of the LGU legislative body
Zamboanguita, Negros Oriental
38. Regulatory and Operations Service (ROS)
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17th Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City