

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 FOURTH TO  
SIXTH REGULATORY  
YEARS OF THE FIRST  
REGULATORY PERIOD FOR  
THIRD ENTRANT ELECTRIC  
COOPERATIVES UNDER  
THE TARIFF GLIDE PATH  
(TGP) RULES, WITH  
PRAYER FOR PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-070 RC**

**BILIRAN ELECTRIC  
COOPERATIVE, INC.  
(BILECO),  
Applicant.**

X-----X

**D O C K E T E D**  
Date: JUL 31 2018  
By: *W*

**ORDER**

On 29 June 2018, Applicant Biliran Electric Cooperative, Inc. (BILECO) filed an *Application with Motion for Provisional Authority* (Application) dated 20 June 2018, seeking the approval of adjustment in rates based on the Fourth to Sixth Regulatory Years of the First Regulatory Period for Third Entrant Electric Cooperatives under the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

BILECO alleged the following in its *Application*:

**THE APPLICANT**

1. BILECO is a non-stock, non-profit electric cooperative duly organized and existing under the laws of the Republic of the Philippines with principal office at Brgy. Caraycaray, Naval Biliran;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the seven (7) municipalities of the Province of Biliran,

namely: Naval, Biliran, Cabucgayan, Caibiran, Culaba, Kawayan and Almeria;

**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 Fourth to Sixth Regulatory Years of the First Regulatory Period and 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. 2015-125 RC;
5. In the said application, Applicant prayed for the 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
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>323.16</b>
Distribution System Charge	PhP/kWh	<b>1.1278</b>	<b>1.2367</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer /Mo		<b>45.74</b>	<b>45.74</b>
Supply System Charge	PhP/kWh	<b>1.0984</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo	<b>5.34</b>	<b>31.11</b>	<b>31.11</b>
Metering System Charge	PhP/kWh	<b>.6187</b>		

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			<b>319.23</b>
Distribution System	PhP/kWh	<b>1.1141</b>	<b>1.2217</b>	

Charge				
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/ Customer/ Mo		<b>45.19</b>	<b>45.19</b>
Supply System Charge	PhP/kWh	<b>1.0850</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/ Mo	<b>5.28</b>	<b>30.73</b>	<b>30.73</b>
Metering System Charge	PhP/kWh	<b>.6112</b>		

6. 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 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 intended to take effect on the fourth year of the First Regulatory Period, BILECO 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 Third Regulatory Years of the Second Regulatory Period for the Third Entrant Electric Cooperatives under the TGP Rules;
8. Applicant's first TGP application under ERC CASE No. 2015-125 RC is still pending evaluation of the Honorable Commission but in spite thereof, Applicant adopted and used the proposed DSM rates in the said application as its bases in computing the proposed adjustment in the instant Application;

**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:

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

where

$$TGP_n = I_n - X_n + S_n$$

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

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:

	"T"(B)	"X"(B)	"S"(B)	TGP B	TGP B (excluding S)
YEAR 2016	0.00%	0.00%	0.90%	0.90%	00.00%
YEAR 2017	0.00%	2.48%	0.90%	-1.58%	-2.48%
YEAR 2018	4.06%	0.00%	1.30%	5.36%	4.06%
TOTAL				4.68%	1.58%

11. Utilizing the above values will result in adjustments in Applicant's DSM Rates to be implemented on the First to Third Years of the Second Regulatory Period for electric cooperatives belonging to the Third 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			338.30
Distribution System Charge	PhP/kWh	1.1806	1.2947	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/ Customer/ Mo		47.89	47.89
Supply System Charge	PhP/kWh	1.1498		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/ Mo	5.59	32.57	32.57
Metering System Charge	PhP/kWh	.6477		

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			324.29
Distribution System Charge	PhP/kWh	1.1317	1.2410	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/ Customer/ Mo		45.90	45.90
Supply System Charge	PhP/kWh	1.1022		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter	5.36	31.22	31.22

	/Mo			
Metering System Charge	Php/kWh	.6209		

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, effective January 1, 2019 and up to December 31, 2021;

**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:

<b>Annex Markings</b>	<b>Nature of Document</b>
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 (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	Regional CPI (2014-2017)
F	RFSC Utilization (2015-2017)
G	Consumer Complaints Summary or Tracking Form (2015-2017)
H	Audited Financial Statements (2015-2017)

**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 starting January 1, 2019, 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 x x” (Emphasis ours)*

16. Under the TGP Rules, the regulatory period is six (6) years for each entry group. For the Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018 and the start of the Fourth Regulatory Year is January 1, 2016. Applicant belongs to the Third Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2019;
17. Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates effective January 1, 2019 and even during the pendency of the instant Application, considering that Applicant 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 DSM Rates effective January 1, 2019, 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:

<b>Annex Markings</b>	<b>Nature of Document</b>
I	Judicial Affidavit in support of the Motion

	for Provisional Authority
J and series	Proof of furnishing copies of the Application to the Sangguniang Bayan of Naval and Sangguniang Panlalawigan of Biliran
K and series	Proof of publication of the Application in a newspaper of general circulation in BILECO's franchise area or where it principally operates.

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that effective January 2019, whether upon initial evaluation hereof or after due notice and hearing, Applicant BILECO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/Kw			<b>338.30</b>
Distribution System Charge	PhP/kWh	<b>1.1806</b>	<b>1.2947</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer /Mo		<b>47.89</b>	<b>47.89</b>
Supply System Charge	PhP/kWh	<b>1.1498</b>		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/ Mo	<b>5.59</b>	<b>32.57</b>	<b>32.57</b>
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**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

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<b>Distribution Charges:</b>				
Demand Charge	PhP/Kw			<b>324.29</b>
Distribution System Charge	PhP/kWh	<b>1.1317</b>	<b>1.2410</b>	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/ Customer/ Mo		<b>45.90</b>	<b>45.90</b>

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Retail Customer Charge	PhP/Meter/ Mo	<b>5.36</b>	<b>31.22</b>	<b>31.22</b>
Metering System Charge	PhP/kWh	<b>.6209</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 **25 October 2018 (Thursday) at two o'clock in the afternoon (2:00 PM) at BILECO's Principal Office in Brgy. Caraycaray, Naval, Biliran.**

Accordingly, BILECO 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 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 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 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 Governors, 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 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.

BILECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they 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.

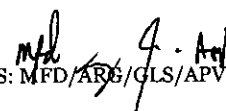
**SO ORDERED.**

Pasig City, 20 July 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST/DEVANADERA**  
Chairperson and CEO ✓

30

  
LS: MFD/ARG/GLS/APV



**ERC CASE NO. 2018-070 RC**  
**ORDER/ 20 July 2018**  
**PAGE 11 OF 12**

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Copy Furnished:

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3. Office of the Solicitor General  
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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)  
3<sup>rd</sup> 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 Biliran
9. Office of the Local Government Unit (LGU) legislative body  
Province of Biliran
10. Office of the City Mayor  
Naval City, Biliran
11. Local Government Unit (LGU) legislative body  
Naval City, Biliran
12. Office of the Mayor  
Biliran City, Biliran
13. Office of the LGU legislative body  
Biliran City, Biliran
14. Office of the Mayor  
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18. Office of the Mayor  
Culaba City, Biliran
19. Office of the LGU legislative body  
Culaba City, Biliran
20. Office of the Mayor  
Kawayan City, Biliran

21. Office of the LGU legislative body  
Kawayan City, Biliran
22. Office of the Mayor  
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23. Office of the LGU legislative body  
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