

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

ERC CASE NO. 2018-106 RC

**AKLAN ELECTRIC
COOPERATIVE, INC.
(AKELCO),
Applicant.**

X-----X

DOCKETED
Date: DEC 17 2018
By: W

ORDER

On 08 November 2018, Aklan Electric Cooperative, Inc. (AKELCO) filed an *Application* dated 01 October 2018, seeking the Commission's approval of the adjustment in its rates based on the Tariff Glide Path (TGP) on the fourth to sixth regulatory years of the first regulatory period for the Second Entrant Electric Cooperatives under the TGP Rules.

In its *Application*, AKELCO alleged, among others, the following:

1. It is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at Poblacion, Lezo, Aklan;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the seventeen (17) municipalities of the Province of Aklan, namely: Altavas, Balete, Banga, Batan, Buruanga, Ibajay, Kalibo, Lezo, Libacao, Madalag, Makato, Malay, Nabas, New Washington, Numancia and Tangalan, and two (2) northern municipalities of the Province of Antique, namely: Libertad and Pandan.

NATURE OF APPLICATION

3. This instant application is being filed for the approval of Applicant's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates based on the tariff glide path on the fourth to sixth regulatory years of the First Regulatory Period for Electric Cooperatives belonging to the Second Entrant Group under the Tariff Glide Path (TGP) Rules, the adjustment to be implemented on the first to third regulatory years of the Second Regulatory Period for Second Entrant Electric Cooperatives, pursuant to the TGP Rules as well as other pertinent laws and rules.

STATEMENT OF FACTS

4. Sometime in 2014, AKELCO 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. 2014 – 073 RC.

(This space is intentionally left blank.)

ERC CASE NO. 2018-106 RC
ORDER/10 December 2018
PAGE 3 OF 14

5. In said application, the cooperative 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
Distribution Charges:				
Demand Charge	PhP/kW			233.96
Distribution System Charge	PhP/kWh	0.6158	0.8089	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		45.71	45.71
Supply System Charge	PhP/kWh	0.6391		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.33	38.28	38.28
Metering System Charge	PhP/kWh	0.4607		

b) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			219.68
Distribution System Charge	PhP/kWh	0.5782	0.7595	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		42.92	42.92
Supply System Charge	PhP/kWh	0.6001		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.00	35.94	35.94
Metering System Charge	PhP/kWh	0.4326		

6. Foregoing application was AKELCO'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 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 application for the proposed

adjustment of its DSM rates based on the tariff glide path on the fourth to sixth regulatory years of the First Regulatory Period, 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. 2014-073 RC has already been heard on the merits and remains pending decision. Despite the pendency of ERC Case No. 2014-073 RC, Applicant adopted and utilized the proposed DSM rates in said pending application as bases in computing the proposed DSM rate 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, AKELCO 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 2015	5.66%	2.20%	1.50%	4.95%	3.45%
YEAR 2016	0.00%	1.37%	1.50%	0.13%	-1.37%
YEAR 2017	0.00%	2.00%	0.70%	-1.30%	-2.00%
TOTAL				3.79%	0.09%

11. Utilizing the above values will result in adjustments in the cooperative'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
Distribution Charges:				
Demand Charge	PhP/kW			242.82
Distribution System Charge	PhP/kWh	0.6391	0.8395	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.44	47.44
Supply System Charge	PhP/kWh	0.6633		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.53	39.73	39.73
Metering System Charge	PhP/kWh	0.4782		

B) EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			219.87
Distribution System Charge	PhP/kWh	0.5787	0.7602	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		42.96	42.96
Supply System Charge	PhP/kWh	0.6006		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.00	35.97	35.97
Metering System Charge	PhP/kWh	0.4330		

12. Consequently, AKELCO respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, to be made retroactive starting January 1, 2018 and up to December 31, 2020.

SUPPORTING DATA AND DOCUMENTS

13. In support of the foregoing computations, AKELCO 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 retroactively starting 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 and succeeding Regulatory Periods and the First Year of the Second Regulatory Period and succeeding Regulatory Periods. However, the adjustment for the First Year of the Second Regulatory Period and succeeding Regulatory Periods will be subject to the revised tariff caps calculated in accordance with Section 3 of these Rules" (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 while the instant application is pending, considering that the cooperative 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 the cooperative's DSM rates granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR), is no longer sufficient to cover those costs, and if not addressed accordingly with the 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 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 for the instant application, AKELCO 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 Bayan of Lezo and Sangguniang Panlalawigan of Aklan

K and series	Proof of publication of the Application in a newspaper of general circulation in AKELCO's franchise area or where it principally operates.
--------------	--

21. AKELCO also prays of this 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 retroactively starting 01 January 2018, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			242.82
Distribution System Charge	PhP/kWh	0.6391	0.8395	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		47.44	47.44
Supply System Charge	PhP/kWh	0.6633		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.53	39.73	39.73
Metering System Charge	PhP/kWh	0.4782		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			219.87
Distribution System Charge	PhP/kWh	0.5787	0.7602	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		42.96	42.96
Supply System Charge	PhP/kWh	0.6006		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.00	35.97	35.97
Metering System Charge	PhP/kWh	0.4330		

Finding the said *Application* to be sufficient in form and 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 **07 February 2019 (Thursday) nine o'clock in the morning (9:00 A.M.), at AKELCO's Principal Office, Poblacion, Lezo, Aklan.**

Accordingly, AKELCO 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 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, AKELCO 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 affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 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 of the filing of the *Application*, the 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.

AKELCO 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 AKELCO 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.

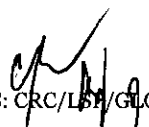
AKELCO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application*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

SO ORDERED.

Pasig City, 10 December 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: CRC/LSF/GLO ord.2018-106 RC akelco TGP

Copy Furnished:

1. DECHAVEZ & EVANGELISTA LAW OFFICES
Counsel for DORELCO
Units 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. Aklan Electric Cooperative, Incorporated (AKELCO)
Lezo, Aklan
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, City of Makati 1229
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1300
6. House of Representatives Committee on Energy
Batasan Hills, Quezon City 1126

7. Office of the Municipal Mayor
Altavas, Aklan
8. Office of the Sangguniang Bayan
Altavas, Aklan
9. Office of the Municipal Mayor
Balete, Aklan
10. Office of the Sangguniang Bayan
Balete, Aklan
11. Office of the Municipal Mayor
Banga, Aklan
12. Office of the Sangguniang Bayan
Banga, Aklan
13. Office of the Municipal Mayor
Batan, Aklan
14. Office of the Sangguniang Bayan
Batan, Aklan
15. Office of the Municipal Mayor
Buruanga, Aklan
16. Office of the Sangguniang Bayan
Buruanga, Aklan
17. Office of the Municipal Mayor
Ibajay, Aklan
18. Office of the Sangguniang Bayan
Ibajay, Aklan
19. Office of the Municipal Mayor
Kalibo, Aklan
20. Office of the Sangguniang Bayan
Kalibo, Aklan
21. Office of the Municipal Mayor
Lezo, Aklan
22. Office of the Sangguniang Bayan
Lezo, Aklan
23. Office of the Municipal Mayor
Libacao, Aklan
24. Office of the Sangguniang Bayan
Libacao, Aklan
25. Office of the Municipal Mayor
Madalag, Aklan
26. Office of the Sangguniang Bayan
Madalag, Aklan
27. Office of the Municipal Mayor
Makato, Aklan

28. Office of the Sangguniang Bayan
Makato, Aklan
29. Office of the Municipal Mayor
Malay, Aklan
30. Office of the Sangguniang Bayan
Malay, Aklan
31. Office of the Municipal Mayor
Malinao, Aklan
32. Office of the Sangguniang Bayan
Malinao, Aklan
33. Office of the Municipal Mayor
Nabas, Aklan
34. Office of the Sangguniang Bayan
Nabas, Aklan
35. Office of the Municipal Mayor
New Washington, Aklan
36. Office of the Sangguniang Bayan
New Washington, Aklan
37. Office of the Municipal Mayor
Numancia, Aklan
38. Office of the Sangguniang Bayan
Numancia, Aklan
39. Office of the Municipal Mayor
Tangalan, Aklan
40. Office of the Sangguniang Bayan
Tangalan, Aklan
41. Office of the Municipal Mayor
Libertad, Antique
42. Office of the Sangguniang Bayan
Libertad, Antique
43. Office of the Municipal Mayor
Pandan, Antique
44. Office of the Sangguniang Bayan
Pandan, Antique
45. Office of the Governor
Province of Aklan
46. Office of the Sangguniang Panlalawigan
Province of Aklan
47. Office of the Governor
Province of Antique

48. Office of the Sangguniang Panlalawigan
Province of Antique

49. 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

50. Regulatory Operations Service
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue
Pasig City