

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. 2018-029 RC**

**CEBU II ELECTRIC  
COOPERATIVE, INC.  
(CEBECO II),  
Applicant.**

Promulgated:  
**MAR 26 2019**

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**ORDER**

On 26 April 2018, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* dated 19 April 2018 (Application) seeking the Commission's approval of its Tariff Glide Path "B" (TGP "B") calculation pursuant to Article VII of the RSEC-WR and Commission's Resolution No. 8, Series of 2011, with prayer for provisional authority.

On 16 July 2018, the Commission issued an *Order and Notice of Public Hearing*, setting the instant *Application* for initial hearing on 27 September 2018.

On 14 September 2018, CEBECO II filed an *Urgent Motion for Resetting (Motion) and to Admit Amended Application* due to discrepancy discovered in its metering facility which affected its proposed TGP "B".

In the said *Amended Application*, CEBECO II alleged the following, among others:

1. Applicant CEBECO II is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Malingin, Bogo City, Cebu, Philippines, represented herein by its General Manager, Lowell O. Belciña, duly authorized by virtue of Board Resolution No. 92, series of 2018 dated September 8, 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 Bogo and Danao and the Municipalities of Medellin, Daanbantayan, San Remigio, Tabogon, Borbon, Tabuelan, Tuburan, Sogod, Catmon, Carmen and Compostela, all in the Province of Cebu;

**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 for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on October 21, 2009. Accordingly, after the required public hearing, ERC in its Order dated January 11, 2010 granted Applicant the following provisional rates:

Particulars		Residential	Low Voltage	Higher Voltage
<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 April 30, 2015, Applicant CEBECO II 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. 2015-086 RC 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	0.6447	0.6048
	Supply	PhP/kWh	0.6001	0.6691	0.6277
	Metering	PhP/kWh	0.4326	0.4824	0.4525
	Metering	PhP/meter/mo	5.00	5.58	5.23
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8468	0.7944
	Supply	PhP/cust/mo	42.92	47.86	44.89
	Metering	PhP/meter/mo	35.94	40.07	37.59
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	244.94	229.79
	Supply	PhP/cust/mo	42.92	47.86	44.89
	Metering	PhP/meter/mo	35.94	40.07	37.59

9. Pending resolution of ERC Case No. 2015-086 RC, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (TGP “B”):

**9.a. Amended Index “I” Calculation**

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

Particulars	Average CPI	CPI
YEAR n-1 (2015)	141.60	
YEAR n (2016)	144.20	1.84%
YEAR n+1 (2017)	147.90	2.57%
YEAR n+2 (2018)	153.00	3.45%

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

Particulars	Total KWh Sales	GR
YEAR n-1 (2015)	279,577,199	
YEAR n (2016)	308,195,145	10.24 %
YEAR n+1 (2017)	345,915,557	12.24%
YEAR n+2 (2018)	374,308,879	8.21%

**9.b. Efficiency Factor “X” Calculation**

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

Personnel	2015	2016	2017	2018
Regular	766,060	765,568	804,132	919,208
Contractual				
Meter Reading	52,439	49,428	47,101	54,114
Line Clearing	7,413	10,800	14,400	77,200
Security Guard	96,360	108,804	120,891	125,993
Meter Change		7,168	7,168	7,168
Construction Distribution Line		2,352	2,352	2,352
<b>Total Man-hours</b>	<b>922,272</b>	<b>944,120</b>	<b>996,044</b>	<b>1,186,035</b>

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

Particulars	2015	2016	2017	2018
<b>TOTAL MANHOURS</b>	<b>922,272</b>	<b>944,120</b>	<b>996,044</b>	<b>1,186,035</b>
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	443	454	479	570
Total number of billed connections (yearend)	123,161	132,769	139,453	144,796
CPE	278	293	291	254

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

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

	2016	2017	2018
Customer Minutes	90,736,673.14	127,235,140.50	132,084,366.48

Affected			
No. of Billed Customers	130,562	137,033	142,472
SAIFI	694.97	928.50	927.09

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

	2016	2017	2018
Customers Affected	1,377,429.10	957,860.67	1,218,135.60
Customers served	130,562	137,033	142,472
SAIFI	10.55	6.99	8.55

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

MWH	2015	2016	2017	2018
kWh Purchased	307,592,625	342,283,333	388,313,049	413,506,745
kWh Sold	279,577,199	308,195,145	345,915,557	374,308,879
System Loss (in kWh)	28,015,426	34,088,188	42,397,492	39,197,866
System Loss (in %)	9.11%	9.96%	10.92%	9.48%

Details of the aforementioned *amended* 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 **1.99%** adjustment including “S” while **negative 3.71%** adjustment excluding “S” on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
YEAR 2016	0.00%	3.71%	1.90%	-1.81%	-3.71%
YEAR 2017	0.00%	0.00%	1.90%	1.90%	0.00%
YEAR 2018	0.00%	0.00%	1.90%	1.90%	0.00%
TOTAL				1.99%	-3.71%

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

- |          |  |
|----------|--|
| As Annex | Document   |
| “C”      | - <i>Amended</i> MFSR (Sections B & E) (2014-2017)   |
| “D”      | - <i>Amended</i> Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2014-2017) |
| “E”      | - Sample Bills (1 per customer type for the years 2014-2017)                                       |
| “F”      | - Regional CPI for the years 2014-2017   |

- “G”** - RFSC/Reinvestment fund Utilization for the years 2015-2017
- “H”** - Consumer Complaints (Summary or tracking form) for the years 2015-2017
- “I”** - 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 Bogu where Applicant principally operates and the Legislative Body of the Province of Cebu. 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 “J” and “K”** respectively. Likewise attached hereto as **Annexes “L” and “M”** 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 since 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 Finance Manager of the Applicant, Snowie R. Cogal, in support of the prayer for provisional authority marked as **Annex "N"**.

**PRAYER**

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

- To approve the **amended** proposed Tariff Glide Path "B" Rates (**TGP "B"**) calculated as follows:

Type of Consumer	Particulars	Unit	Provisionally Approved RSEC-Rates	TGP "A" Tariff Glide Path calculation for the first to the third year of the first regulatory period		TGP "B" Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period	
				including S	excluding S	including S	excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6447	0.6048	<b>0.6575</b>	<b>0.5823</b>
	Supply	PhP/kWh	0.6001	0.6691	0.6277	<b>0.6824</b>	<b>0.6044</b>
	Metering	PhP/kWh	0.4326	0.4824	0.4525	<b>0.4919</b>	<b>0.4357</b>
	Metering	PhP/meter/mo	5.00	5.58	5.23	<b>5.69</b>	<b>5.04</b>
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8468	0.7944	<b>0.8637</b>	<b>0.7649</b>
	Supply	PhP/cust/mo	42.92	47.86	44.89	<b>48.81</b>	<b>43.23</b>
	Metering	PhP/meter/mo	35.94	40.07	37.59	<b>40.87</b>	<b>36.20</b>
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	244.94	229.79	<b>249.81</b>	<b>221.25</b>
	Supply	PhP/cust/mo	42.92	47.86	44.89	<b>48.81</b>	<b>43.23</b>
	Metering	PhP/meter/mo	35.94	40.07	37.59	<b>40.87</b>	<b>36.20</b>

- 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 *Motion* in order, the same is hereby **GRANTED**. Accordingly, the *Amended Application* is admitted.

In view thereof, the instant Application is hereby set anew for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **22 May 2019 (Wednesday) at nine o'clock in the morning (9:00 AM), at CEBECO II's Principal Office at Malingin, Bogo City, Cebu.**

CEBECO 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 the Offices of the Provincial Governor, the City and Municipal Mayor, and the Local Government Unit (LGU) legislative bodies within the affected franchise area with copies of this Order and the attached Notice of Public Hearing 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 the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress with copies of this Order and the attached Notice of Public Hearing. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish all those making requests with copies of the *Application* and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, CEBECO II 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 Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of the 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 OSG, 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.

CEBECO II 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 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 CEBECO II to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses 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.

CEBECO 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, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

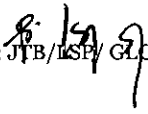
**SO ORDERED.**

Pasig City, 06 March 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**

*Commissioner*

LS:  JTB/LSF/GLD

Copy Furnished:

1. A.C. Gaviola Law Office  
*Counsel for Applicant CEBECO II*  
Room 203, 2<sup>nd</sup> Floor, Crown Port View Hotel  
3<sup>rd</sup> Avenue, North Reclamation Area, Cebu City
2. Cebu II Electric Cooperative, Inc. (CEBECO II)  
*Applicant*  
Malingin, Bogo City, Cebu
3. Office of the City Mayor  
Bogo City, Cebu
4. Office of the Local Government Unit (LGU) legislative body  
Bogo City, Cebu
5. Office of the City Mayor  
Danao City, Cebu
6. Office of the LGU legislative body  
Danao City, Cebu
7. Office of the Municipal Mayor  
Medellin, Cebu
8. Office of the LGU legislative body  
Medellin, Cebu
9. Office of the Municipal Mayor  
DaanBantayan, Cebu
10. Office of the LGU legislative body  
DaanBantayan, Cebu

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11. Office of the Municipal Mayor  
San Remigio, Cebu
12. Office of the LGU legislative body  
San Remigio, Cebu
13. Office of the Municipal Mayor  
Tabogon, Cebu
14. Office of the LGU legislative body  
Tabogon, Cebu
15. Office of the Municipal Mayor  
Borbon, Cebu
16. Office of the LGU legislative body  
Borbon, Cebu
17. Office of the Municipal Mayor  
Tabuelan, Cebu
18. Office of the LGU legislative body  
Tabuelan, Cebu
19. Office of the Municipal Mayor  
Tuburan, Cebu
20. Office of the LGU legislative body  
Tuburan, Cebu
21. Office of the Municipal Mayor  
Sogod, Cebu
22. Office of the LGU legislative body  
Sogod, Cebu
23. Office of the Municipal Mayor  
Catmon, Cebu
24. Office of the LGU legislative body  
Catmon, Cebu
25. Office of the Municipal Mayor  
Carmen, Cebu
26. Office of the LGU legislative body  
Carmen, Cebu
27. Office of the Municipal Mayor  
Compostela, Cebu
28. Office of the LGU legislative body  
Compostela, Cebu
29. Office of the Governor  
Province of Cebu
30. Office of the LGU legislative body  
Province of Cebu
31. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
32. Commission on Audit  
Commonwealth Avenue, Quezon City
33. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City

34. House Committee on Energy  
Batasan Hills, Quezon City
35. 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
36. Regulatory Operations Service  
17<sup>th</sup> Floor Pacific Center, San Miguel Avenue, Pasig City