

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.**

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**D O C K E T E D**  
Date: AUG 07 2018  
By: [Signature]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 26 April 2018, 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

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

**NATURE OF APPLICATION**

- 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**

- 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.
- 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 |
| <b>Distribution Charges:</b> |                 |               |               |                |
| Demand Charge                | PhP/kW          |               |               | <b>240.61</b>  |
| Distribution System Charge   | PhP/kWh         | <b>0.6333</b> | <b>0.8319</b> |                |
| <b>Supply Charges:</b>       |                 |               |               |                |
| Retail Customer Charge       | PhP/Customer/Mo |               | <b>47.01</b>  | <b>47.01</b>   |
| Supply System Charge         | PhP/kWh         | <b>0.6573</b> |               |                |
| <b>Metering Charges:</b>     |                 |               |               |                |
| Retail Customer Charge       | PhP/Meter/Mo.   | <b>5.48</b>   | <b>39.36</b>  | <b>39.36</b>   |
| Metering System Charge       | PhP/kWh         | <b>0.4738</b> |               |                |

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

|                              | UNITS   | CUSTOMER TYPE |               |                |
|------------------------------|---------|---------------|---------------|----------------|
|                              |         | Residential   | Low Voltage   | Higher Voltage |
| <b>Distribution Charges:</b> |         |               |               |                |
| Demand Charge                | PhP/kW  |               |               | <b>237.97</b>  |
| Distribution System Charge   | PhP/kWh | <b>0.6264</b> | <b>0.8227</b> |                |

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|                          |                 |               |              |              |
|--------------------------|-----------------|---------------|--------------|--------------|
| <b>Supply Charges:</b>   |                 |               |              |              |
| Retail Customer Charge   | PhP/Customer/Mo |               | <b>46.49</b> | <b>46.49</b> |
| Supply System Charge     | PhP/kWh         | <b>0.6501</b> |              |              |
| <b>Metering Charges:</b> |                 |               |              |              |
| Retail Customer Charge   | PhP/Meter/Mo.   | <b>5.42</b>   | <b>38.93</b> | <b>38.93</b> |
| Metering System Charge   | PhP/kWh         | <b>0.4686</b> |              |              |

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) |
|------------------|--------------|--------------|--------------|---------------|---------------------|
| <b>YEAR 2016</b> | <b>0.00%</b> | <b>0.00%</b> | <b>0.40%</b> | <b>0.40%</b>  | <b>0.00%</b>        |
| <b>YEAR 2017</b> | <b>0.00%</b> | <b>3.82%</b> | <b>1.10%</b> | <b>-2.72%</b> | <b>-3.82%</b>       |
| <b>YEAR 2018</b> | <b>1.78%</b> | <b>3.47%</b> | <b>1.10%</b> | <b>-0.59%</b> | <b>-1.69%</b>       |
| <b>TOTAL</b>     |              |              |              | <b>-2.91%</b> | <b>-5.51%</b>       |

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 |
| <b>Distribution Charges:</b> |                 |               |               |                |
| Demand Charge                | PhP/kW          |               |               | <b>233.61</b>  |
| Distribution System Charge   | PhP/kWh         | <b>0.6149</b> | <b>0.8077</b> |                |
| <b>Supply Charges:</b>       |                 |               |               |                |
| Retail Customer Charge       | PhP/Customer/Mo |               | <b>45.64</b>  | <b>45.64</b>   |
| Supply System Charge         | PhP/kWh         | <b>0.6382</b> |               |                |
| <b>Metering Charges:</b>     |                 |               |               |                |
| Retail Customer Charge       | PhP/Meter/Mo.   | <b>5.32</b>   | <b>38.22</b>  | <b>38.22</b>   |
| Metering System Charge       | PhP/kWh         | <b>0.4600</b> |               |                |

**B. EXCLUDING PERFORMANCE INCENTIVE “S”**

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

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|                          |               |               |              |              |
|--------------------------|---------------|---------------|--------------|--------------|
| <b>Metering Charges:</b> |               |               |              |              |
| Retail Customer Charge   | PhP/Meter/Mo. | <b>5.12</b>   | <b>36.79</b> | <b>36.79</b> |
| Metering System Charge   | PhP/kWh       | <b>0.4428</b> |              |              |

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:

| <b>Annex Markings</b> | <b>Nature of Document</b>   |
|-----------------------|---|
| A<br>A-1<br>A-2       | Proposed TGP Calculations and supporting documents using the prescribed templates:<br>Index "I" Calculation<br>Efficiency Factor "X" Calculation<br>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)<br>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 the 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:

*(This space is intentionally left blank.)*

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| <b>Annex Markings</b> | <b>Nature of Document</b>   |
|-----------------------|---|
| I<br>I-1              | Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Dumaguete City and Sangguniang Panlalawigan of Negros Oriental |
| J<br>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 |
| <b>Distribution Charges:</b> |                 |               |               |                |
| Demand Charge                | PhP/kW          |               |               | <b>233.61</b>  |
| Distribution System Charge   | PhP/kWh         | <b>0.6149</b> | <b>0.8077</b> |                |
| <b>Supply Charges:</b>       |                 |               |               |                |
| Retail Customer Charge       | PhP/Customer/Mo |               | <b>45.64</b>  | <b>45.64</b>   |
| Supply System Charge         | PhP/kWh         | <b>0.6382</b> |               |                |
| <b>Metering Charges:</b>     |                 |               |               |                |
| Retail Customer Charge       | PhP/Meter/Mo.   | <b>5.32</b>   | <b>38.22</b>  | <b>38.22</b>   |
| Metering System Charge       | PhP/kWh         | <b>0.4600</b> |               |                |

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

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

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|                          |               |               |              |              |
|--------------------------|---------------|---------------|--------------|--------------|
| Supply System Charge     | PhP/kWh       | <b>0.6143</b> |              |              |
| <b>Metering Charges:</b> |               |               |              |              |
| Retail Customer Charge   | PhP/Meter/Mo. | <b>5.12</b>   | <b>36.79</b> | <b>36.79</b> |
| Metering System Charge   | PhP/kWh       | <b>0.4428</b> |              |              |

Other reliefs, just and equitable in the premises are likewise prayed for.

The Commission has set the *Application* 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.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;

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- 2) A concise statement of the Opposition or Comment;  
and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

Pasig City, 20 July 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
Chairperson & CEO 2

LS: JMS/ESP/APV 2018

