

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 FIRST
ENTRANT GROUP UNDER
THE TARIFF GLIDE PATH
(TGP) RULES WITH
MOTION FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2019-002 RC

**AGUSAN DEL NORTE
ELECTRIC COOPERATIVE,
INC. (ANECO),**

Applicant.

X-----X

D O C K E T E D
Date: FEB 14 2019
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 10 January 2019, Agusan Del Norte Electric Cooperative, Inc. (ANECO) filed an *Application* dated 13 September 2018 (Application), seeking the Commission's approval of adjustment in rates based on the Tariff Glide Path (TGP) on the fourth to sixth regulatory years of the first regulatory period for the first entrant group under the TGP rules with motion for provisional authority.

In the said *Application*, ANECO alleged the following, among others:

1. ANECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws,

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with principal office at Km. 2., J.C. Aquino Avenue, Butuan City, Agusan Del Norte;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the municipalities of Las Nieves, Remedios Trinidad Romualdez, Santiago, Tubay, Magallanes, Jabonga, Kitcharao, Nasipit, Buenavista and Carmen, and the cities of Butuan and Cabadbaran, all in the Province of Agusan Del Norte;

NATURE OF THE APPLICATION

3. The instant Application is being filed for the approval of ANECO's proposed adjustment in its Distribution, Supply and Metering (DSM) Rates to be made effective on the First to Third Regulatory Years of the Second Regulatory Period for electric cooperatives belonging to the First Entrant Group under the Tariff Glide Path Rules (TGP Rules), as well as other pertinent laws and rules;

STATEMENT OF FACTS

4. Sometime in year 2013, ANECO filed with the Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2013-120 RC.
5. In the said application, ANECO prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective January 2014, to wit:

a. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			180.2213
Distribution System Charge	PhP/kWh	0.4962	0.4777	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		50.1212	50.1212
Supply System Charge	PhP/kWh	0.5782		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.3778	35.2570	35.2570
Metering System Charge	PhP/kWh	0.3447		

b. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			170.8380

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Distribution System Charge	PhP/kWh	0.4703	0.4528	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.5116	47.5116
Supply System Charge	PhP/kWh	0.5481		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0978	33.4213	33.4213
Metering System Charge	PhP/kWh	0.3268		

6. Foregoing application was ANECO'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. ANECO belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. It filed its initial application for DSM rate adjustment in 2013 which is the third regulatory year of the First Regulatory Period. It is filing the instant application based on the tariff glide path on the fourth to sixth regulatory years of the First Regulatory Period or January 1, 2014 to December 31, 2016, for the proposed adjustment of its DSM rates to take effect on the first to third regulatory years of the Second Regulatory Period for the First Entrant Group under the TGP Rules, or January 1, 2017 to December 31, 2019.
8. ANECO's first TGP Application under ERC Case No. 2013-120 RC is still pending evaluation of the Honorable Commission however, it adopted and utilized the proposed DSM rates in said pending application as bases in computing the proposed 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, ANECO calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

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	"I"	"X"	"S"	TGP B	TGP B (Excluding "S")
Year 2014	2.67%	0.00%	2.10%	4.77%	2.67%
Year 2015	2.55%	4.28%	1.90%	0.17%	-1.73%
Year 2016	0.00%	1.32%	1.90%	0.58%	-1.32%
Total				5.52%	-0.38%

11. Utilizing the above values will result in adjustments on the cooperative's DSM Rates for the first to third years of the Second Regulatory Period for electric cooperatives belonging to the First Entrant Group, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			190.1629
Distribution System Charge	PhP/kWh	0.5235	0.5040	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		52.8861	52.8861
Supply System Charge	PhP/kWh	0.6101		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6745	37.2018	37.2018
Metering System Charge	PhP/kWh	0.3637		

12. Consequently, ANECO respectfully prays that it be allowed to implement the calculated DSM rates with Performance Incentive "S", effective January 1, 2017 and up to December 31, 2019.

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:

Annex No.	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 (2012-2015)
C	Billing Determinants Template (2012-2015) (kWh Sales, No. of Customers, kW Demand)
D	Sample Bills per customer type (2012-2015)
E	Regional CPI (2012-2015)
F	RFSC Utilization (2013-2015)
G	Consumer Complaints Summary or Tracking Form (2013-2015)
H	Audited Financial Statements (2013-2015)

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR
PROVISIONAL AUTHORITY**

1. ANECO respectfully repleads herein the foregoing allegations;
2. ANECO respectfully prays that it be allowed to implement either of the two (2) proposed alternative DSM Rates even while the instant application is pending, 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.***

[16.] Under the TGP Rules, the regulatory period is six (6) years for each entry Group. For the First Entrant Group, the first regulatory period is from January 1, 2011 to December 31, 2016 and the start of the Second Regulatory Period is January 1, 2017. Applicant belongs to the First Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2017;

[17.] Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates during the pendency of the instant application, 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;

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[18.] Further the rising cost of materials, tools, equipment, supplies, fuel and other costs incidental to its daily operations has considerably increased in the past several years and the funds being generated from the cooperative's DSM revenues 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, the cooperative's service to its consumers will be prejudiced;

[19.] Considering the foregoing, it is respectfully prayed that herein Applicant be allowed to implement the proposed DSM Rates while the instant application is pending evaluation of the Honorable Commission;

SUBMISSION OF 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, 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 Panlungsod of Butuan City and the Sangguniang Panlalawigan of Agusan del Norte
K and series	Proof of publication of the Application in a newspaper of general circulation ANECO's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after initial evaluation hereof and while the application is pending, Applicant ANECO be allowed to implement either of the alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, and after due notice and hearing, the said proposed rates be granted accordingly, to cover the period of January 1, 2017 to December 31, 2019, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			190.1629

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Distribution System Charge	PhP/kWh	0.5235	0.5040	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		52.8861	52.8861
Supply System Charge	PhP/kWh	0.6101		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.6745	37.2018	37.2018
Metering System Charge	PhP/kWh	0.3637		

[C.] EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			170.1825
Distribution System Charge	PhP/kWh	0.4685	0.4511	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		47.3293	47.3293
Supply System Charge	PhP/kWh	0.5460		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.0783	33.2930	33.2930
Metering System Charge	PhP/kWh	0.3255		

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 **21 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at ANECO's Principal Office, Km. 2, J.C. Aquino Avenue, Butuan City, Agusan Del Norte.**

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;
- 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.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioner **CATHERINE P. MACEDA**, Energy Regulatory Commission, this 28th day of January 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal