

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
PURSUANT TO THE  
TARIFF GLIDE PATH  
(TGP) RULES, WITH  
PRAYER FOR  
PROVISIONAL  
AUTHORITY,**

**ERC CASE NO. 2014-069 RC**

**SOUTH COTABATO II  
ELECTRIC COOPERATIVE,  
INC. (SOCOTECO II),  
Applicant.**

**DUCKETED**  
Date: **MAR 09 2017**  
By: *[Signature]*

X-----X

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 27 May 2014, South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an application dated 20 May 2014 seeking the Commission's approval of adjustment in rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of a provisional authority.

SOCOTECO II alleged the following in its Application:

1. Applicant is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Jose Catolico Sr. Street, Lagao, General Santos City;

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution system in the City of General Santos and two (2) municipalities of the province of South Cotabato, namely:

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Polomolok and Tupi, and the seven (7) municipalities of the province of Sarangani, namely: Alabel, Malungon, Malapatan, Glan, Maasim, Kiamba, and Maitum;

3. Sometime in 2009, SOCOTECO II filed with the Honorable Commission an application for approval of the proposed adjustment in its rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);

4. The Honorable Commission approved the application, granting the cooperative the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

New Customer Class		RES	LOW VOLTAGE				H/V		
Current Customer Class		RES	COM	IND'L	P/B	Street Lights	IND'L	COM	P/B
<b>Distribution Charges:</b>									
Demand Charge	P/kW	-	-	-	-	-	118.5538	118.5538	118.5538
Distribution System Charge	PhP/kWh	0.2748	0.3748	0.3748	0.3748	0.3748			-
<b>Supply Charges:</b>									
Retail Customer Charge	PhP/cus/mo	-	59.7343	59.7343	59.7343	59.7343	59.7343	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-	-	-	-	-	-
<b>Metering Charges:</b>									
Retail Customer Charge	PhP/meter/mo	5.0000	54.9228	54.9228	54.9228	54.9228	54.9228	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	-	-	-	-	-	-

5. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR whereby during the regulatory period, the rate of the Electric Cooperatives (ECs) per group shall be adjusted using the following formula, to wit:

$$\text{Tariff} \times (1 + \text{index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"})$$

The Index "I", shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and load factor. 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 above or below standard performance, respectively.

The TGP is intended as a cap and the EC may move up to the cap, if it is a positive adjustment. If the cap is lower than the current average tariff, a reduction may be implemented.

6. The TGP is a rate adjustment mechanism which provides an opportunity for the ECs to adjust their rates once every three (3) years. The rate adjustments may occur at the start of the fourth year of the first Regulatory Period and every three years thereafter.

7. Under the TGP, 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. SOCOTECO II belongs to the Second Entrant Group.

8. Further under the TGP Rules, the concerned EC shall use the following formula in determining the TGP for the first to third years of the Regulatory Period, to wit:

$$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2} \text{ where}$$

$$TGP_n = I_n - X_n + S_n$$

N= the first year of the Regulatory Period and succeeding Regulatory Periods

Except that for the first two years of the First Regulatory Period, "X" will be equal to zero and thereafter shall not be less than zero. The TGP calculated for each of the three years will be summed to determine the possible rate adjustment the starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, SOCOTECO II calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"	"X"	"S"	TGP A	TGP A (Excluding "S")
Year 2012	0.00%	0.00%	-0.90%	-0.90%	0.00%
Year 2013	0.00%	0.00%	0.90%	0.90%	0.00%
Year 2014	0.00%	0.00%	1.30%	1.30%	0.00%
Net Results				1.30%	0.00%

10. Applying the above values resulted in adjustments on SOCOTECO II's DSM Rates, as follows:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	120.0950
Distribution System Charge	PhP/kWh	0.2784	0.3797	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	60.5108	60.5108
Supply System Charge	PhP/kWh	0.4194	-	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.0650	55.6368	55.6368
Metering System Charge	PhP/kWh	0.3505	-	-

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	118.5538
Distribution System Charge	PhP/kWh	0.2748	0.3748	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	59.7343	59.7343
Supply System Charge	PhP/kWh	0.4140	-	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.0000	54.9228	54.9228
Metering System Charge	PhP/kWh	0.3460	-	-

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally or permanently, starting January 2015 and up to the next regulatory reset;

12. In support of the foregoing computations, the cooperative 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 prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR - Sections B and E (2010-2013)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand) (2010-2013)
D	Sample Bills per customer type (2010-2013)
E	Regional CPI (2010-2013)
F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Complaint Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2013)

13. Finally, in compliance with the pre-filing requirements for the instant application, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex No.	Nature of Document
I	Affidavit in support of the prayer for provisional authority
J to J-2	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of General Santos City and Sangguniang Panlalawigan of South Cotabato and Sarangani
K to K-2	Publication of the Application in a newspaper of general circulation in SOCOTECO II's franchise area or where it principally operates, with Affidavit of Publication

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application or after due notice and hearing, as the case may be, SOCOTECO II be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, starting January 2015 and up to December 2017, to wit:

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

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	<b>120.0950</b>
Distribution System Charge	PhP/kWh	<b>0.2784</b>	<b>0.3797</b>	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	<b>60.5108</b>	<b>60.5108</b>
Supply System Charge	PhP/kWh	<b>0.4194</b>	-	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.0650</b>	<b>55.6368</b>	<b>55.6368</b>
Metering System Charge	PhP/kWh	<b>0.3505</b>	-	-

**B) EXCLUDING PERFORMANCE INCENTIVE "S"**

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage

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<b>Distribution Charges:</b>				
Demand Charge	PhP/kW	-	-	<b>118.5538</b>
Distribution System Charge	PhP/kWh	<b>0.2748</b>	<b>0.3748</b>	-
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Customer/Mo	-	<b>59.7343</b>	<b>59.7343</b>
Supply System Charge	PhP/kWh	<b>0.4140</b>	-	-
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	<b>5.0000</b>	<b>54.9228</b>	<b>54.9228</b>
Metering System Charge	PhP/kWh	<b>0.3460</b>	-	-

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

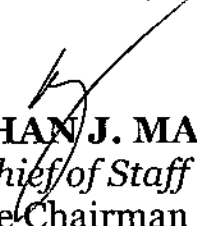
The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **29 March 2017 (Wednesday) at nine o'clock in the morning (9:00 A.M.) at SOCOTECO II's principal office in Jose Catolico Sr. Street, Lagao, General Santos City.**

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 rest its case, subject to the requirements under Rule 9 of the 2006 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 Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 8<sup>th</sup> day of March 2017 in Pasig City.

  
**ATTY. NATHAN J. MARASIGAN**  
*Chief of Staff*  
Office of the Chairman and CEO

  
LS: ACA/PAR/APV

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**Copy furnished:**

1. **Lerios – Amboy Pingol & Gonzales Law Offices**  
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Pearl Drive, Ortigas Center, Pasig City 1605
2. **South Cotabato II Electric Cooperative, Inc. (SOCOTECO II)**  
*Applicant*  
Jose Catolico Sr. Street,  
Lagao, General Santos City
3. **Office of the Solicitor General**  
134 Amorsolo Street, Legaspi Village  
Makati City 1229
4. **Commission on Audit**  
Commonwealth Avenue, Quezon City 1121
5. **Senate Committee on Energy**  
GSIS Building, Roxas Boulevard, Pasay City 1308
6. **House Committee on Energy**  
Batasan Hills, Quezon City 1126
7. **Office of the Provincial Governor**  
Province of South Cotabato 9506
8. **Office of the LGU Legislative Body**  
Province of South Cotabato 9506
9. **Office of the Provincial Governor**  
Province of Sarangani 9501
10. **Office of the LGU Legislative Body**  
Province of Sarangani 9501
11. **Office of the City Mayor**  
General Santos City 9500
12. **Office of the LGU Legislative Body**  
General Santos City 9500
13. **Office of the Municipal Mayor**  
Alabel, Sarangani 9501
14. **Office of the LGU Legislative Body**  
Alabel, Sarangani 9501
15. **Office of the Municipal Mayor**  
Malungon, Sarangani 9503
16. **Office of the LGU Legislative Body**  
Malungon, Sarangani 9503
17. **Office of the Municipal Mayor**  
Malapatan, Sarangani 9516
18. **Office of the LGU Legislative Body**  
Malapatan, Sarangani 9516
19. **Office of the Municipal Mayor**  
Glan, Sarangani 9517
20. **Office of the LGU Legislative Body**  
Glan, Sarangani 9517
21. **Office of the Municipal Mayor**  
Maasim, Sarangani 9502



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22. **Office of the LGU Legislative Body**  
Maasim, Sarangani 9502
23. **Office of the Municipal Mayor**  
Kiamba, Sarangani 9514
24. **Office of the LGU Legislative Body**  
Kiamba, Sarangani 9514
25. **Office of the Municipal Mayor**  
Maitum, Sarangani 9515
26. **Office of the LGU Legislative Body**  
Maitum, Sarangani 9515
27. **Office of the Municipal Mayor**  
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28. **Office of the LGU Legislative Body**  
Polomolok, South Cotabato 9504
29. **Office of the Municipal Mayor**  
Tupi, South Cotabato 9505
30. **Office of the LGU Legislative Body**  
Tupi, South Cotabato 9505
31. **Philippine Chamber of Commerce and Industry**  
3rd Floor, Commerce and Industry Plaza,  
1030, Campus Avenue, Fort Bonifacio, Taguig, 1634
32. **Regulatory Operations Service**  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center Building,  
San Miguel Avenue, Ortigas Center 1600,  
Pasig City