

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
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. 2015-086 RC

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

DOCKETED
Date: MAR 30 2017
By: [Signature]

X-----X

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 30 April 2015, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an *Application* dated 24 April 2015 (Application) seeking the Commission's approval of the Tariff Glide Path calculation pursuant to Article VII of the RSEC-WR and ERC Resolution No. 8, Series of 2011, with prayer for the issuance of provisional authority.

CEBECO II alleged the following in its *Application*:

1. That, Cebu II Electric Cooperative, Inc. (CEBECO II) is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Malingin, Bogo City, Cebu where it may be served with summons and other legal processes, represented in this Application by its General Manager, LOWELL O. BELCIÑA, of legal age, Filipino, duly authorized by virtue of Resolution No. 31b, Series of 2015 dated March 14, 2015, copy of which is attached hereto as Annex "A".

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The filing of the instant Application is likewise authorized under the same Resolution aforementioned.

2. That, Applicant has the exclusive right and authority to operate an electric light and power services in the Cities of Bogu and Danao and the Municipalities of Medellin, Daan Bantayan, San Remigio, Tabogon, Borbon, Tabuelan, Tuburan, Sogod, Catmon, Carmen and Compostela all in the Province of Cebu, by virtue of a franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645;
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 Decision dated January 11, 2010 granted Applicant the following rates:

Particulars		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
	PhP/kW			219.68
	PhP/kWh	0.5782	0.7595	
Supply Charges:				
	PhP/cust/mo		42.92	42.92
	PhP/kWh	0.6001		
Metering Charges:				
	PhP/cust/mo	5.00	35.94	35.94
	PhP/kWh	0.4326		

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;

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6. That, after a 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. Following the afore-quoted formula, Applicant proposes the following TGP calculation:

8.a. Index "I" Calculation

8.a.1. CPI Calculation (2012-2015)

Particulars	Average CPI	CPI
YEAR n-1 (2012)	122.20	
YEAR n (2013)	128.80	5.40%
YEAR n+1 (2014)	134.90	4.74%
YEAR n+2 (2015)	141.60	4.97%

8.a.2. Growth Rate Calculation (2012-2015)

Particulars	Total KWh Sales	GR
YEAR n-1 (2012)	236,439,517	
YEAR n (2013)	238,332,207	0.80%
YEAR n+1 (2014)	253,256,712	6.26%
YEAR n+2 (2015)	279,577,199	10.39%

b. Efficiency Factor "X" Calculation

8.b.1. Calculation of Man-hours (2012-2015)

Personnel	2012	2013	2014	2015
Regular	632,395	631,940	566,052	766,060
Contractual				
Meter Reading		15,490	49,848	52,439
Line Clearing	4,317	5,147	4,312	7,413
Security Guard	70,080	70,080	87,552	96,360

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Total Manhours	706,792	722,657	707,764	922,272

8.b.2 .FTE/CPE (2012-2015)

Particulars	2012	2013	2014	2015
TOTAL MANHOURS	706,792	722,657	707,764	922,272
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	340	347	340	443
Total number of billed connections (year-end)	108,761	114,260	119,290	123,161
CPE	320	329	351	278

8.c. Performance Incentive "S" Calculation

8.c.1. SAIDI Calculation (2013-2015)

	2013	2014	2015
Customer Minutes Affected	45,342,417.12	21,960,276.39	36,982,942.08
No. of Billed Customers	111,527	115,623	118,672
SAIDI	406.56	189.93	311.64

8.c.2. SAIFI Calculation (2013-2015)

	2013	2014	2015
Customers Affected	505,217.31	41,393.34	696,604.64
Customers served	111,527	115,623	118,672
SAIFI	4.53	3.58	5.87

8.c.3. SL Calculation (2012-2015)

MWH	2012	2013	2014	2015
kWh Purchased	21,358,714	21,840,208	23,233,795	25,632,719
kWh Sold	19,703,293	19,861,017	21,104,726	23,298,100
System Loss (in kWh)	1,655,402	1,979,190	2,129,069	2,334,619
System Loss (in %)	7.75%	9.06%	9.16%	9.11%

Details of the aforementioned calculations are provided and contained in Annex "B" hereof.

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9. That, as observed, there is a minimal upward adjustment in Applicant's rates resulting in a 11.50% adjustment including "S" and 4.60% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP A (including S)	TGP A (excluding S)
Year 2013	4.60%	0.00%	2.30%	6.90%	4.60%
Year 2014	0.00%	0.00%	2.30%	2.30%	0.00%
Year 2015	0.00%	0.00%	2.30%	2.30%	0.00%
TOTAL				11.50%	4.60%

10. That, in support of the application, attached herewith in a separate bundle marked as Annex "C" are the following:

- 10.a MFSR (Sections B & E) (2010-2014)
- 10.b Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2010-2014)
- 10.c Sample Bills (1 per customer type for 2010-2014)
- 10.d Regional CPI (2009-2014)
- 10.e RFSC/Reinvestment Fund Utilization (2010-2014)
- 10.f Consumer Complaints (Summary or tracking form) (2010-2014)
- 10.g Audited Financial Statement (2010-2014)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

11. That, in compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules on Practice and Procedure, Applicant furnished copies of this Application together with all its annexes the legislative bodies of the City of Bogo where its office is principally located, as well as the Provincial Board of the Province of Cebu, as evidenced by the affidavit of service executed by Romeo S. Torrizo, Jr., an associate under the Office of the General Manager, with a copy of the page of the application bearing the stamp "RECEIVED", herewith attached as annex "D". Likewise, a copy of the Application was published in the Freeman, a newspaper of general circulation in the franchise area of the Applicant and the Province of Cebu, as evidenced by the Affidavit of Publication executed by the Editor, and original copy of the issue showing the published application, copies of which are attached hereto as Annexes "E" and "F", respectively;
12. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted on April 23, 2015 pursuant to Section 4 of Rule 6, and

for purposes of determining completeness of the supporting documents attached to the Application.

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13. 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;
14. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
15. 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;
16. That, the provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Finance Manager, Snowie R. Cogal in support of the prayer for provisional authority marked as Annex "G".

PRAYER

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

1. To approve the proposed Tariff Glide Path Rates calculated 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

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path

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rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

On 23 January 2017, the Commission issued an Order and a Notice of Public Hearing, setting the *Application* for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on 23 March 2017.

On 01 March 2017, CEBECO II filed an *Urgent Motion for Resetting* (Motion) dated 27 February 2017 with prayer for the cancellation and resetting of the 23 March 2017 scheduled hearing due to conflict of schedule for the counsel for CEBECO II.

Finding the said Motion meritorious, the same is **GRANTED**. Hence the hearing scheduled on 23 March 2017 is cancelled. Therefore, the Commission sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and evidentiary hearing on **19 April 2017 (Wednesday) at nine o'clock in the morning (09:00 A.M.) at CEBECO II's principal office in Malingin, Bogo, Cebu.**

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 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- i. The petitioner's name and address;
- ii. 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
- iii. 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 Rules of Practice and Procedure. No particular

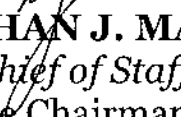
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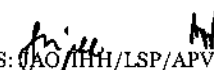
form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 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 20th day of March 2017 at Pasig City.


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


LS: JAO/HH/LSP/APV