

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. 2014-086 RC

**ABRA ELECTRIC
COOPERATIVE, INC.
(ABRECO),
Applicant.**

D O C K E T E D
Date: JAN 30 2014
By: W

X-----X

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 June 2014, Abra Electric Cooperative, Inc. (ABRECO) filed an application dated 15 May 2014 seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

ABRECO alleged the following in its Application:

1. Applicant is an electric cooperative duly organized and existing by virtue of the laws of the Republic of the Philippines, with principal office address at Capitulation St., Calaba, Bangued, Abra;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the twenty-seven (27) municipalities of the province of Abra, namely: Bangued, Baay-Licuan, Boliney, Bucay, Bucloc, Daguioman, Danglas, Dolores, Lacub, Lagangilang, Lagayan, La Paz, Langiden, Luba, Malibcong, Manabo, Peñarrubia, Pidigan, Pilar,

ERC CASE NO. 2014-086 RC
NOTICE OF PUBLIC HEARING/ 19 January 2017
Page 2 of 7

Sallapadan, San Isidro, San Juan, San Quintin, Tayum, Tineg, Tubo, and Villaviciosa;

3. Sometime in 2009, ABRECO filed with the Honorable Commission an application for approval of its proposed adjustment in rates pursuant to the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
4. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/KW			267.90
Distribution System Charge	PhP/KWh	0.8449	0.9259	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		40.15	40.15
Supply System Charge	PhP/KWh	0.7732		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.00	28.72	28.72
Metering System Charge	PhP/KWh	0.4569		

5. On 2 May 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

ERC CASE NO. 2014-086 RC
NOTICE OF PUBLIC HEARING/ 19 January 2017
Page 3 of 7

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. ABRECO 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 their 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, ABRECO 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	1.16%	0.00%	-0.80%	0.36%	1.16%
YEAR 2013	0.65%	0.00%	0.80%	1.45%	0.65%
YEAR 2014	0.00%	0.00%	1.20%	1.20%	0.00%
Net Results				3.01%	1.81%

10. Application of the above values resulted in adjustments on the cooperative's DSM Rates, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	Units	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			275.97
Distribution System Charge	PhP/kWh	0.8704	0.9538	
Supply Charges				
Retail Customer Charge	PhP/Customer/Mo		41.36	41.36
Supply System Charge	PhP/kWh	0.7965		
Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.15	29.59	29.59
Metering System Charge	PhP/kWh	0.4707		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			272.76
Distribution System Charge	PhP/kWh	0.8602	0.9427	
Supply Charges				
Retail Customer Charge	PhP/Customer/Mo		40.88	40.88
Supply System Charge	PhP/kWh	0.7872		
Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.09	29.24	29.24
Metering System Charge	PhP/kWh	0.4652		

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternative calculated DSM rates, either provisionally during the pendency of the instant application or permanently by virtue of a final decision, effective January 2015, and up to December 31, 2017;
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 the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (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 (Summary or Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2012)

13. ABRECO's Financial Statements for 2013 were not utilized as these are still pending audit by its External Auditor;
14. Finally, in compliance with the pre-filing requirements for the instant application, applicant is likewise submitting

ERC CASE NO. 2014-086 RC
NOTICE OF PUBLIC HEARING/ 19 January 2017
Page 5 of 7

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-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Bangued and Sangguniang Panlalawigan of Abra
K to K-2	Publication of the Application in a newspaper of general circulation in ABRECO'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, ABRECO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2015 and up to December 2017, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			275.97
Distribution System Charge	PhP/kWh	0.8704	0.9538	
Supply Charges				
Retail Customer Charge	PhP/Customer/Mo		41.36	41.36
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	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
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Demand Charge	PhP/kW			272.76
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Supply Charges				
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Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.09	29.24	29.24
Metering System Charge	PhP/kWh	0.4652		

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 **1 March 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at ABRECO's principal office in Capitulacion St, Calaba, Bangued, Abra.**

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:

- 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.

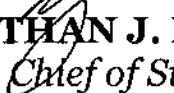
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rest its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. 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 19th day of January 2017 in Pasig City.


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


LS: PSJ/PAR/APV