

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,**

ERC CASE NO. 2014-106 RC

**CAMARINES NORTE
ELECTRIC COOPERATIVE,
INC. (CANORECO),**

Applicant.

X-----X

D O C K E T E D

Date: JAN 30 2017

By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 10 July 2014, Applicant Camarines Norte Electric Cooperative, Inc. (CANORECO) filed an Application seeking the Commission's approval for the adjustment in its rates in accordance with the rules governing the tariff glide path pursuant to Article VII of the Rules for Setting the Rural Electric Cooperatives' Wheeling Rates (RSEC-WR).

CANORECO 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 office at J.P. Rizal St., Daet, Camarines Norte;

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in all the municipalities of the province of Camarines Norte, namely: Basud, Capalonga, Daet, Jose Panganiban, Labo, Mercedes, San Lorenzo Ruiz, Paracale, San Vicente, Sta. Elena, Talisay and Vinzons.

3. Sometime in 2009, CANORECO 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. 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:

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/KW			219.6800
Distribution System Charge	PhP/KWh	0.5782	0.7595	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.9200	42.9200
Supply System Charge	PhP/KWh	0.6001	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.0000	35.9400	35.9400
Metering System Charge	PhP/KWh	0.4326		

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. CANORECO 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 starting on the Fourth Year of the current Regulatory Period.

9. Applying the methodology embodied in the TGP Rules, CANORECO 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
Year 2012	2.04%	0.00%	-0.50%	1.54%	2.04%
Year 2013	0.00%	0.00%	-0.10%	-0.10%	0.00%
Year 2014	0.00%	3.46	1.50%	-1.96%	-3.46%
Net Results				-0.52%	-1.42%

10. Application of the above values would result in a reduction on the cooperative's existing DSM Rates, as follows:

a) WITH PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	218.5400
Distribution System Charge	PhP/kWh	0.5752	0.7556	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.7000	42.7000
Supply System Charge	PhP/kWh	0.5970	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	35.7500	35.7500
Metering System Charge	PhP/kWh	0.4304	-	-

b) EXCLUDING PERFORMANCE INCENTIVE “S”

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	216.5600
Distribution System Charge	PhP/kWh	0.5700	0.7487	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.3100	42.3100
Supply System Charge	PhP/kWh	0.5916	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9300	35.4300	35.4300
Metering System Charge	PhP/kWh	0.4265	-	-

11. In this regard, the TGP Rules further provides, thus

2. Regulatory Period and Process

2.4. Should the rate adjustment calculated in accordance with Section 3 results in a decrease, the EC shall implement the full amount of the reduction in rates. Failure of the EC to apply for and implement the rate reduction will be subject to the ERC's Rules on imposition of Fines and Penalties.

12. In view of all foregoing, applicant respectfully submits this application for the Honorable Commission's evaluation of its calculations and for the approval of its implementation of either of the above two alternative calculated DSM rates;

13. 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 (2010-2012)
E	Regional CPI (2010-2013)

F	RFSC/Reinvestment Fund Utilization (2011-2013)
G	Consumer Complaints (Summary of Tracking Form) (2011-2013)
H	Audited Financial Statements (2010-2013)

14. 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 to I-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Daet and Sangguniang Panlalawigan of Camarines Norte
J to J-2	Publication of the Application in a newspaper of general circulation in CANORECO'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 after due notice and hearing, CANORECO 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"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	218.5400
Distribution System Charge	PhP/kWh	0.5752	0.7556	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.7000	42.7000
Supply System Charge	PhP/kWh	0.5970	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	35.7500	35.7500
Metering System Charge	PhP/kWh	0.4304	-	-

b. EXCLUDING PERFORMANCE INCENTIVE "S"

	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	216.5600
Distribution System Charge	PhP/kWh	0.5700	0.7487	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	42.3100	42.3100
Supply System Charge	PhP/kWh	0.5916	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.9300	35.4300	35.4300
Metering System Charge	PhP/kWh	0.4265	-	-

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 **16 February 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at CANORECO's Main Office in J. P. Rizal St., Daet, Camarines 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 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 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 at Pasig City.


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