

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. 2015-088 RC

**AURORA ELECTRIC
COOPERATIVE, INC.
(AURELCO),**

Applicant.

X-----X

DOCKETED

Date: MAY 31 2017

By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 March 2017, applicant Aurora Electric Cooperative, Inc. (AURELCO) filed an *Amended 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) with prayer for the issuance of provisional authority.

AURELCO alleged the following in its *Amended Application*:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Reserva, Baler, Aurora;
1. It is the holder of an exclusive franchise issued by the National Electrification Administration (NEA), to operate an electric light and power distribution service in the (11) municipalities, namely the municipalities of Baler, Casiguran, Dinalungan, Dipaculao, Ma. Aurora,

San Luis, Dilasag, Dingalan, Dinapigue (Isabela),
 General Nakar (Quezon), Castañeda (Nueva Vizcaya);

2. Sometime on April 20, 2016, AURELCO 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):
3. That during the hearing of the above-entitled case on March 8, 2017 it was found after the expository presentation made by the intended witness for applicant, it was found out that in the item for the summary of man-hours of all the employees of applicant AURELCO the man-hours of the probationary, casual, contractual employees and outside services were not included, hence the hearing was suspended and the hearing officer suspended the hearing and required the applicant to amend the TGP application to reflect the man-hours or all the probationary, casual, contractual employees and outside services of applicant;
4. That attached hereto is the recomputed Distribution Supply and Metering charges In this amended application, among others, to wit:

CURRENT RATES		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			302.510
Distribution System Charge	Php/kWh	1.0557	1.1577	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		42.82	42.82
Supply System Charge	Php/kWh	1.0282		
METERING CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.	5.0000	29.12	29.12
Metering System Charge	Php/kWh	.5792		

5. That it is to be recalled, that 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 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 every three (3) years. The rate adjustment 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 Third Entrant Group, the first regulatory period is from January 1, 2013 to December 31, 2018. AURELCO belongs to the Third 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:

$$\begin{aligned}
 \text{TGPA} &= \text{TGP}_n + \text{TGP}_{n+1} + \text{TGP}_{n+2} \text{ where} \\
 \text{TGP}_n &= I_n - X_n + S_n \\
 N &= \text{the first year of the Regulatory Period and} \\
 &\quad \text{seceding Regulatory Periods}
 \end{aligned}$$

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, AURELCO re-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%	2.10%	2.10%	0.00%
YEAR 2013	0.00%	0.00%	2.30%	2.30%	0.00%
YEAR 2014	0.00%	0.67%	2.10%	1.43%	-0.67%
TOTAL				5.83%	-0.67%

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

TGP - A		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			320.16
Distribution System Charge	Php/kWh	1.1173	1.2252	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		45.32	45.32
Supply System Charge	Php/kWh	1.0882		
METERING CHARGES:				
Retail Customer Charge	PhP/Meter/Mo.	5.2917	30.82	30.82
Metering System Charge	Php/kWh	0.6130		
TGP - A (excluding "S")		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			300.50
Distribution System Charge	Php/kWh	1.0487	1.1500	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		42.54	42.54
Supply System Charge	Php/kWh	1.0214		
METERING CHARGES:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	28.93	28.93
Metering System Charge	Php/kWh	0.5753		

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 forgoing computations, the cooperative is submitting herewith the following documents, which are being made integral parts hereof, to wit:
- A. TGP Calculations
 - a.1 Index "I" Calculations
 - a.2 Efficiency Factor "X" Calculations
 - a.3 Performance Incentive "S"
 - B. Other Documents
 - b.1 MFSR Sec. B & E
 - b.2 Billing Determinants
 - b.3 Sample Bills
 - b.4 Regional CPI
 - b.5 RFSC/Reinvestment Fund Utilization
 - b.6 Summary of Consumer Complaints

b.7 Audited Financial Statements

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that pending evaluation of the instant application of after due notice and hearing, as the case may be, AURELCO be allowed to implement the **AMENDED TGP application** 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"

TGP - A		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			320.16
Distribution System Charge	Php/kWh	1.1173	1.2252	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		45.32	45.32
Supply System Charge	Php/kWh	1.0882		
METERING CHARGES:				
Retail Customer Charge	PhP/Meter/Mo.	5.2917	30.82	30.82
Metering System Charge	Php/kWh	.6130		

B. Excluding "S"

TGP - A (excluding "S")		Residential	Low Voltage	High Voltage
DISTRIBUTION CHARGES				
Demand Charge	Php/kW			300.50
Distribution System Charge	Php/kWh	1.0487	1.1500	
SUPPLY CHARGES:				
Retail Customer Charge	PhP/Customer/Mo.		42.54	42.54
Supply System Charge	Php/kWh	1.0214		
METERING CHARGES:				
Retail Customer Charge	PhP/Meter/Mo.	4.9700	28.93	28.93
Metering System Charge	Php/kWh	.5753		

Other relief, just and equitable, is 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 **01 August 2017 (Tuesday) at nine o'clock in the morning**

(9:00 A.M.) at AURELCO's Main Office in Reserva, Baler, Aurora.

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 Officer-In-Charge of ERC **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 25th day of May 2017 at Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

LS: 
MCC/ARG/PAR/APV