

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 -097 RC

**COTABATO ELECTRIC
COOPERATIVE, INC.
(COTELCO),**

Applicant.

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D O C K E T E D
Date: FEB 10 2015
By: *[Signature]*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 14 May 2015, Cotabato Electric Cooperative, Inc. (COTELCO) filed an Application seeking the Commission's approval of its Tariff Glide Path (TGP) calculation pursuant to Article VII of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) and ERC Resolution No. 8, Series of 2011, with prayer for the issuance of provisional authority.

COTELCO alleged the following in its Application:

1. Cotabato Electric Cooperative, Inc. (COTELCO) 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 Manubuan, Matalam, North Cotabato where it may be served with summons and other legal processes, represented in this Application by its General Manager, GODOFREDO B. HOMEZ, of legal age, Filipino, duly authorized by virtue of Resolution No. 30, Series of 2015 dated March 27, 2015, copy of which is attached hereto as annex "A";

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

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2. Applicant has the exclusive right and authority to operate an electric light and power services in the City of Kidapawan and the Municipalities of Makilala, Kabacan, Carmen, Mlang, Tulunan, Matalam, Pres. Roxas, Magpet, Antipas, Arakan, and Banisilan, all in the Province of North Cotabato 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. 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. Pursuant to the afore-mentioned ERC Resolution Applicant filed its 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 August 31, 2010. Accordingly, after the required public hearing, ERC in its Decision dated December 10, 2012 granted Applicant the following rates:

New Customer Classes		Residential	LOW VOLTAGE				HIGH VOLTAGE		
Current Customer Class		Residential	Commercial	Public Building	Street Lights	Industrial	Industrial	Commercial	Public Building
Distribution Charges									
Demand Charge	Php/Kw						219.6800	219.6800	219.6800
Distribution System Charge	Php/Kwh	0.5782	0.7595	0.7595	0.7595	0.7595			
Supply Charges									
Retail Customer Charge	Php/Cust/Mo		42.9200	42.9200	42.9200	42.9200	42.9200	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	35.9400	35.9400	35.9400	35.9400	35.9400
Metering System Charge	Php/Kwh	0.4326							

5. 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;
6. After a series of public consultations conducted by the ERC in its offices in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the "Rules Governing

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the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric Cooperatives' Wheeling Rates;

7. 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)	132.6	
YEAR n (2013)	136.2	2.71%
YEAR n+1 (2014)	141.2	3.67%
YEAR n+2 (2015)	148.5	5.17%

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

Particulars	Total KWh Sales	GR
YEAR n-1 (2012)	138,651,042	
YEAR n (2013)	140,443,065	1.29%
YEAR n+1 (2014)	143,985,039	2.52%
YEAR n+2 (2015)	152,559,964	5.96%

8.b. Efficiency Factor "X" Calculation

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

Particulars	2012	2013	2014	2015
Regular	377,219	366,708	351,707	356,448
Contractual				
Meter Reading	46,848	47,800	48,000	51,840
Disconnectors	1,665	1,868	2,715	2,928
Pole Replacement	1,597	2,414	1,993	1,971

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Line Clearing	1,597	2,414	1,993	1,971
Service Dropping	26,280	29,500	36,280	42,800
Utility men	22,880	22,528	22,440	22,616
Security Guards	113,880	114,192	113,880	119,720
Legal Counsel & External Auditor	6,240	6,144	6,120	6,168
Drivers	18,720	18,432	18,360	18,504
Total Manhours	619,927	611,999	603,489	624,966

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

Particulars	2012	2013	2014	2015
TOTAL MANHOURS	619,927	611,999	603,489	624,966
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	297	294	290	300
Total number of billed connections (year- end)	96,842	100,674	104,677	111,267
CPE	327	342	361	370

8.c. Performance Incentive "S" Calculation

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

	2013	2014	2015
Customer Minutes Affected	41,326,322	170,030,117	59,333,045
Average Billed Customers	99,311	103,008	108,412
SAIDI	416.13	1,650.65	547.29

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

	2013	2014	2015
Customers Affected	916,127	2,127,732	2,800,085
Customers served	99,311	103,008	108,412
SAIFI	9.22	20.66	25.83

8.c.3. SL Calculation (2013-2015)

	2013	2014	2015
kWh Purchased	161,420,271	165,300,619	175,266,592
kWh Sold	140,443,065	143,985,039	152,559,964
System Loss (in kWh)	20,977,206	21,315,580	22,706,628
System Loss (in %)	13.00%	12.90%	12.96%

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

9. As observed, there is a minimal upward adjustment in Applicant's rates resulting in a 4.02% adjustment including "S" and 0.72% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP A (including S)	TGP A (excluding S)
YEAR 2013	1.42%	0.00%	1.90%	3.32%	1.42%
YEAR 2014	1.15%	0.00%	0.30%	1.45%	1.15%
YEAR 2015	0.00%	1.85%	1.10%	-0.75%	-1.85%
TOTAL				4.02%	0.72%

10. 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 (2011-2014)
 - 10.e. RFSC/Reinvestment Fund Utilization (2012-2014)
 - 10.f. Consumer Complaints (Summary or tracking form) (2012-2014)
 - 10.g. Audited Financial Statement (2010-2014)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

11. 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 Municipality of Matalam, North Cotabato where its office is principally located, as well as the Provincial Board of the Province of North Cotabato, as evidenced by the affidavit of service executed by Darwin C. Fajardo 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" and the certifications of the legislative bodies aforementioned herewith attached as Annexes "E" and "F". Likewise, a copy of the Application was published in the Mindanao Express, a newspaper of general circulation in the franchise area of the Applicant and the Province of North Cotabato, 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 "G" and "H", respectively;

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12. The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly;
13. With this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
14. 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;
15. 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 Corporate Planning, Information Technology and Retail Services Department Manager in support of the prayer for provisional authority marked as Annex "I".

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	0.6015	0.5824
	Supply	PhP/kWh	0.6001	0.6242	0.6044
	Metering	PhP/kWh	0.4326	0.4500	0.4357
	Metering	PhP/meter/mo	5.00	5.20	5.04
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.7900	0.7650
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20
HIGHER VOLTAGE	Distribution	PhP/kWh	219.68	228.51	221.27
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20

2. To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **28 March 2017 at nine o'clock in the morning (9:00 A.M.), at COTELCO's principal office at Manubuan, Matalam, North Cotabato .**

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:

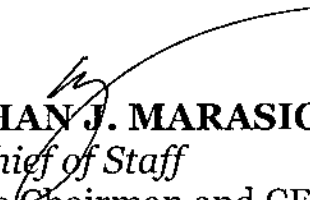
- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

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 it 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 31st day of January 2017 in Pasig City.


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


LS: SLAN/ARG/PAR/APV