

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
RULES, WITH PRAYER
FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2015-130 RC

**QUIRINO ELECTRIC
COOPERATIVE, INC.
(QUIRELCO),
Applicant.**

D O C K E T E D
Date: JAN 30 2017
By: [Signature]

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 10 July 2015, Quirino Electric Cooperative, Inc. (QUIRELCO) filed an application dated 18 June 2015 seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for provisional authority.

QUIRELCO alleged the following in its Application:

THE APPLICANT

1. QUIRELCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal office address at Aurora East, Diffun, Quirino;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power service in the municipalities of Diffun, Cabarroguis, Saguday, Aglipay, Maddela, and Nagtipunan, all in the Province of Quirino;

THE ANTECEDENT FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)
4. A regulatory framework is envisioned under the RSEC-WR whereby an Initial Tariff and Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. Pursuant to the RSEC-WR, in 2009, QUIRELCO filed with the Honorable Commission an application for approval of its proposed adjustment in rates, docketed as ERC Case No. 2009-089 RC;
6. In the said application, the Honorable Commission granted the cooperative provisional authority to implement the proposed rates in three-year tranches, with the following rate caps or initial tariffs on the Distribution, Supply, and Metering (DSM) Charges, among others, being implemented starting at the end of the transition period, for residential and low voltage customers, to wit:

CHARGES	UNITS	CUSTOMER TYPE	
		Residential	Low Voltage
Distribution Charges			
Demand Charge	PhP/kWh		
Distribution System Charge	PhP/kWh	1.0557	1.1577
Supply Charges:			
Retail Customer Charge	PhP/Customer/Mo		42.82
Supply System Charge	PhP/kWh	1.0282	
Metering Charges:			
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12
Metering System Charge	PhP/kWh	0.5792	

7. On the other hand, Article 7 of RSEC-WR provides that during the regulatory period, the rate of the ECs per group shall be adjusted using the 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.

LEGAL BASIS FOR THE APPLICATION

A. The Tariff Glid Path Rules

8. On 2 May 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSEC-WR;
9. 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 Regulatory Period and every three years thereafter;
10. Under the TGP, the regulatory period is six (6) years for each entry Group. For Second Entrant Group, the first regulatory period is from 1 January 2012 to 31 December 2017. CAMELCO belongs to the Second Entrant Group;
11. 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 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.

B. The RSEC-WR

12. Under Article 3.1 of the RSEC-WR, for electric cooperatives belonging to Group A which QUIRELCO belongs to, the initial DSM Tariffs for Higher Voltage Customers are as follows, to wit:

Particulars	Units	Distribution	Supply	Metering
Higher Voltage	PhP/kWh PhP/cust/mo	302.51	42.82	29.12

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13. However, as noted in the Table in Paragraph 6 above, the rates provisionally granted to QUIRELCO under ERC Case No. 2009-089 RC did not include rates for Higher Voltage Customers;
14. Its application under ERC Case No. 2009-089 RC included proposed rates for higher voltage customers. However, at the time of filing said application, QUIRELCO did not have any existing customers which could be classified as Higher Voltage Customers;
15. However, in the meantime, a big load customer emerged in QUIRELCO's franchise area, which should be properly classified as higher voltage customer;
16. Accordingly, necessity requires that QUIRELCO be provided with approved DSM rates for higher voltage customers and likewise the corresponding TGP rate;
17. Hence, QUIRELCO includes in the instant application a proposed adjustment in the DSM rates for higher voltage customers pursuant to TGP Rules.

THE PROPOSED RATE ADJUSTMENT

18. Applying the methodology embodied in the TGP Rules, QUIRELCO 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 2013	0.00%	0.00%	2.0%	2.0%	0.00%
YEAR 2014	0.00%	0.00%	1.60%	1.60%	0.00%
YEAR 2015	0.00%	0.00%	1.60%	1.60%	0.00%
TOTAL				5.20%	0.00%

19. Applying the above values resulted in adjustments on QUIRELCO'S DSM Rates for residential, low voltage, and higher voltage customers, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			318.24
Distribution System Charge	PhP/kWh	1.1106	1.2179	
Supply Charges				
Retail Customer Charge	PhP/Customer/Mo		45.05	45.05
Supply System Charge	PhP/kWh	1.0817		
Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.26	30.63	30.63
Metering System Charge	PhP/kWh	0.6093		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			302.51
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/Meter/Mo	5.00	29.12	29.12
Metering System Charge	PhP/kWh	0.5792		

20. Consequently, applicant respectfully prays for the approval of the foregoing calculated DSM rates.

SUPPORTING DATA AND DOCUMENTS

21. In support of the foregoing computations, the cooperative is submitting herewith the following data and documents, which are being made integral parts hereof, to wit:

Annex	Nature of Document
	Proposed TGP calculation and supporting documents using the prescribed templates:
A	Index "I" calculation
A-1	Efficiency Factor "X" Calculation
A-2	Performance Incentive "S" Calculation
B	Monthly Financial and Statistical Report (MFSR) – Sections B and E (2010-2014)
C	Billing Determinants Template (kWh Sales, Number of Customers, kW Demand) (2010-2014)
D	Sample Bills (per customer type) (2010-2014)
E	Regional CPI (2011-2014)
F	RFSC/Reinvestment Fund Utilization (2012-2014)
G	Consumer Complaints (Summary of Tracking Form) (2012-2014)
H	Audited Financial Statements (2012-2014)

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

22. Applicant repleads the foregoing allegations as may be material herein;
23. Applicant's current DSM rates for residential and low voltage customers as provisionally granted by the Honorable Commission in ERC Case No. 2009-089 RC were

implemented by the cooperative in three (3) yearly tranches, which started way back in January 2010;

24. Over the years, the cost of its operations has significantly increased, not only as a logical effect of inflation as well as certain governmental requirements, but likewise due to the inevitable expansion of its distribution network brought about by the extension of its services remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of President Benigno C. Aquino III, such that the massive expansion of its distribution lines up to the remotest areas has considerably increased its operational and maintenance costs, not to mention the increased system loss which the cooperative is likely to absorb. All these costs were not duly provided for in its current rates and the general funds were being generated from its DSM revenues as granted under the RSEC-WR are no longer sufficient to cover these inevitable costs;
25. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
26. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Third Entrant Group, their initial tariff shall be adjusted at the start of the fourth regulatory year of the First Regulatory Period, which is January 1, 2016;
27. Furthermore, since the cooperative has already an existing Higher Voltage Customer, proper rates therefor should be provided pending evaluation of the instant application;
28. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates effective 1 January 2016;

COMPLIANCE WITH PRE-FILING REQUIREMENTS

29. Finally, in compliance with the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

Annex	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 Diffun and Sangguniang Panlalawigan of Quirino
K and series	Proof of Publication of the Application in a newspaper of general circulation in QUIRELCO's franchise area or where it principally operates.

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, QUIRELCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply, and Metering (DSM) Charges, for residential, low voltage, and higher voltage customers, respectively, effective January 1, 2016, to wit:

A. WITH PERFORMANCE INCENTIVE "S"

	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			318.24
Distribution System Charge	PhP/kWh	1.1106	1.2179	
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	Unit	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			302.51
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Metering Charges				
Retail Customer Charge	PhP/Meter/Mo	5.00	29.12	29.12
Metering System Charge	PhP/kWh	0.5792		

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 two o'clock in the afternoon (2:00 P.M.) at QUIRELCO's principal office in Aurora East, Diffun, Quirino.**

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.

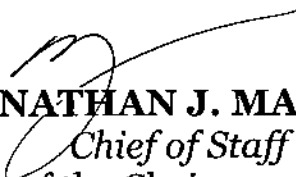
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rest its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure.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

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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 18th day of January 2017 in Pasig City.


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


LS: JS/PAR/APV