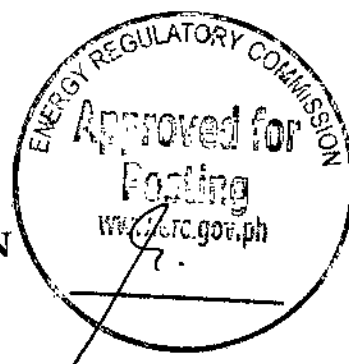


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**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. 2016 -181 RC

**BATANGAS II ELECTRIC
COOPERATIVE, INC.
(BATELEC II),
Applicant.**

D O C K E T E D
Date: JAN 30 2017
By: W

X-----X

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 21 October 2016, Batangas II Electric Cooperative, Inc. (BATELEC II) filed an *Application* for approval of adjustment in rates pursuant to the tariff glide path (TGP) rules, with prayer for provisional authority.

BATELEC II alleged the following in its *Application*:

1. BATELEC II is a non-stock, non-profit electric cooperative, duly organized and existing under under Philippine Laws with principal office address at Brgy. Antipolo del Norte, Lipa City, Batangas;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the cities of Lipa and Tanauan, and the municipalities of Alitagtag, Balete, Cuenca, Laurel, Lobo, Mabini, Malvar, Mataas na Kahoy, Padre Garcia, Rosario, San Jose, San Juan, Taysan, Talisay and Tingloy, all in the province of Batangas.;

THE ANTECEDENT RULES AND FACTS

3. In 2009, the Honorable Commission promulgated the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSECWR);

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4. The RSEC-WR envisioned a regulatory framework whereby an Initial Tariff and a Tariff Glide Path shall be developed for each Electric Cooperative (EC) Group for a Regulatory Period;
5. Pursuant to the RSEC-WR, in 2009, BATELEC II filed with the Honorable Commission an application for approval of proposed adjustment in its rates, docketed as ERC Case No. 2009-164 RC;
6. The Honorable Commission approved BATELEC II's application, granting the cooperative at the end of the transition period, the following initial tariffs on its Distribution, Supply and Metering (DSM) Charges, among others, to wit:

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			118.5500
Distribution System Charge	PhP/kWh	0.2748	0.3748	
Supply Charges:				
Retail Customer Charge	PhP/Customer/ Mo		59.7300	59.7300
Supply System Charge	PhP/kWh	0.4140		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.0000	54.9200	54.9200
Metering System Charge	PhP/kWh	0.3460		

LEGAL BASIS FOR THE APPLICATION

7. On May 2, 2011, the Honorable Commission promulgated the Tariff Glide Path (TGP) Rules pursuant to Article 7 of the RSECWR whereby during the regulatory period, the rate of the Electric Cooperatives (ECs) per group shall be adjusted using the following formula, to wit:

Tariff x (1+index "I"-Efficiency Factor "X" + 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.

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8. 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;
9. 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. BATELEC II belongs to the Second Entrant Group.
10. 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.

THE PROPOSED RATE ADJUSTMENT

11. BATELEC II applied the methodology embodied in the TGP Rules, 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 2011	0.00%	0.00%	0.70%	0.70%	0.00%
Year 2012	0.00%	0.00%	1.10%	1.10%	0.00%
Year 2013	7.00%	5.40%	1.30%	2.90%	1.60%
Net Results				4.70%	1.60%

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

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A. WITH PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			124.12
Distribution System Charge	PhP/kWh	0.2877	0.3924	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		62.54	62.54
Supply System Charge	PhP/kWh	0.4334		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.23	57.50	57.50
Metering System Charge	PhP/kWh	0.3623		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			120.44
Distribution System Charge	PhP/kWh	0.2792	0.3808	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		60.68	60.68
Supply System Charge	PhP/kWh	0.4206		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.08	55.80	55.80
Metering System Charge	PhP/kWh	0.3515		

13. 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;

SUPPORTING DATA AND DOCUMENTS

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

Annex	Nature of Document
A to A-2	Proposed TGP Calculation and supporting documents using the prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	MFSR (Sections B and E)
C	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand)

D	Sample Bills (per customer type)
E	Regional CPI
F	RFSC/Reinvestment Fund Utilization
G	Consumer Complaints (Complaint Tracking Form)
H	Audited Financial Statements (2010-2013)

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

15. Applicant repleads the foregoing allegations as may be material herein;
16. Applicant's current DSM rates as granted by the Honorable Commission, were implemented in three-year tranches starting way back January 2010, with the rate caps or initial tariffs being implemented only starting at the end of the three-year transition period;
17. 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 to remote areas. More significantly, the cooperative has been implementing the Sitio Energization Program (SEP) of the Aquino government, 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 being generated from its DSM revenues as granted under the RSECWR are no longer sufficient to cover these inevitable costs;
18. Thus, the cooperative urgently needs additional funds to be able to cope with the rising costs of its operations;
19. Further, based on the provisions of the TGP Rules, for cooperatives belonging to the Second 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, 2015;
20. Considering the foregoing, applicant respectfully prays that while the instant application is pending, it be granted a provisional authority to implement the proposed rates, to be made effective starting January 1, 2015.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

21. Finally, in compliance with the pre-filing requirements mandated under Rule 6, Sections 2 to 4 of the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, which are being made integral parts hereof, to wit:

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Annex Marking	Nature of Document
I	Affidavit in Support of the Prayer for Provisional Authority
I to I-1	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Lipa and Sangguniang Panlalawigan of Batangas
J and series	Publication of the Application in a newspaper of general circulation in BATELEC II'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, BATELEC II 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, as follows:

A. WITH PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			124.12
Distribution System Charge	PhP/kWh	0.2877	0.3924	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo		62.54	62.54
Supply System Charge	PhP/kWh	0.4334		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.23	57.50	57.50
Metering System Charge	PhP/kWh	0.3623		

B. EXCLUDING PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			120.44
Distribution System Charge	PhP/kWh	0.2792	0.3808	
Supply Charges:				
Retail Customer Charge	PhP/Customer/		60.68	60.68

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	Mo			
Supply System Charge	PhP/kWh	0.4206		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.08	55.80	55.80
Metering System Charge	PhP/kWh	0.3515		

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 **02 March 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at BATELEC II's principal office at Brgy. Antipolo Del Norte, Lipa City, Batangas.**

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:

- i. The petitioner's name and address;
- ii. 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
- iii. A statement of the relief desired.

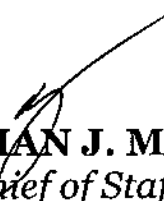
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure.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

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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 24th day of January 2017 at Pasig City.


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