

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. 2014 -093 RC

**SULTAN KUDARAT
ELECTRIC COOPERATIVE,
INC. (SUKELCO),**

Applicant.

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D O C K E T E D
Date: FEB 16 2017
By: M

ORDER

On 25 June 2014, Sultan Kudarat Electric Cooperative, Inc. (SUKELCO) filed an Application seeking the Commission's approval of the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of provisional authority.

SUKELCO 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 the National Highway, Tacurong City, Sultan Kudarat;

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in Tacurong City and the municipalities of Isulan, Esperanza, Bagumbayan, Pres. Quirino, Lambayong, Columbio, Palimbang, Sen. Ninoy Aquino, Lebak and Kalamansig, all in the Province of Sultan Kudarat, as well as the municipalities of Buluan, Datu Paglas, Salipada K. Pendatun, and Paglat, in the Province of Maguindanao.

3. In November 9, 2009, SUKELCO 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 at the end of transition period 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	-	-	190.03
Distribution System Charge	PhP/KWh	0.5143	0.5134	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	41.61	41.61
Supply System Charge	PhP/KWh	0.5828	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo	5.00	31.19	31.19
Metering System Charge	PhP/KWh	0.3669	-	-

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 must 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. SUKELCO 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:

$TGP_A = TGP_n + TGP_{n+1} + TGP_{n+2}$

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, SUKELCO calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

Year	"I"	"X"	"S"	TGP A (With "S")	TGP A (Without "S")
Year 2012	0.00%	0.00%	1.70%	1.70%	0.00%
Year 2013	0.00%	0.00%	0.70%	0.70%	0.00%
Year 2014	1.71%	5.83%	0.30%	- 3.82%	- 4.12%
Net Results				- 1.42%	- 4.12%

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

a) WITH PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	187.32
Distribution System Charge	PhP/kWh	0.5070	0.5061	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	41.02	41.02
Supply System Charge	PhP/kWh	0.5745	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.93	30.75	30.75
Metering System Charge	PhP/kWh	0.3617	-	-

b) WITHOUT PERFORMANCE INCENTIVE "S"

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	182.19
Distribution System Charge	PhP/kWh	0.4931	0.4922	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	39.89	39.89

Supply System Charge	PhP/kWh	0.5588	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.79	29.90	29.90
Metering System Charge	PhP/kWh	0.3518	-	-

11. Consequently, applicant respectfully prays that it be allowed to implement either of the above two alternatives calculated DSM rates, either provisionally during the pendency of the instant application or permanently by virtue of a final decision, effective January 2015, and up to December 31, 2017;

12. 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 prescribed templates: Index "I" Calculation Efficiency Factor "X" Calculation Performance Incentive "S" Calculation
B	Regional CPI (2010-2013)
C	Billing Determinants Template kWh Sales, No. of Customers, kW Demand (2010-2013)
D	Calculation of Man hours (2010-2013)
E	Monthly Interruption report (2011-2013)
F	Monthly System Loss calculation (2010-2013)
G	MFSR - Sections B and E (2010-2013)
H	Sample Bills (1 per customer type) (2010-2013)
I	RFSC/Reinvestment Fund Utilization (2011-2013)
J	Consumer Complaints (Complaint Tracking Form) (2011-2013)
K	Audited Financial Statements (2010- 2013)

13. 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
L	Affidavit in Support of the Prayer for Provisional Authority
M to M-1	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Tacurong City and Sangguniang Panlalawigan of Sultan Kudarat
N to N-2	Publication of the Application in a newspaper of general circulation in SUKELCO'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, SUKELCO 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”

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	187.32
Distribution System Charge	PhP/kWh	0.5070	0.5061	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	41.02	41.02
Supply System Charge	PhP/kWh	0.5745	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.93	30.75	30.75
Metering System Charge	PhP/kWh	0.3617	-	-

b) WITHOUT PERFORMANCE INCENTIVE “S”

CHARGES	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW	-	-	182.19
Distribution System Charge	PhP/kWh	0.4931	0.4922	-
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo	-	39.89	39.89
Supply System Charge	PhP/kWh	0.5588	-	-
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	4.79	29.90	29.90
Metering System Charge	PhP/kWh	0.3518	-	-

Other reliefs, just and equitable in the premises are likewise prayed for.

Finding the said Application sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **30 March 2017 at nine o'clock in the morning (9:00 A.M.), at SUKELCO's principal office at National Highway, Tacurong City, Sultan Kudarat.**

Accordingly, SUKELCO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the Application and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of

certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the Application and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of SUKELCO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

SUKELCO must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 10 February 2017.

**FOR AND BY AUTHORITY
OF THE COMMISSION:**

JOSE VICENTE B. SALAZAR
Chairman and CEO

ERC
Office of the Chairman and CEO



B-2017-016-OC-00128

LS: ARD/ PAR/ APV

COPY FURNISHED:

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17. Office of the Mayor
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21. Office of the Mayor
Lebak, Sultan Kudarat
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25. Office of the Mayor
Buluan, Maguindanao
26. Office of the LGU legislative body
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27. Office of the Mayor
Datu Paglas, Maguindanao
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Datu Paglas, Maguindanao
29. Office of the Mayor
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30. Office of the LGU legislative body
Salipada K. Pendatun, Maguindanao
31. Office of the Mayor
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32. Office of the LGU legislative body
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33. Office of the Governor
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34. Office of the LGU legislative body
Province of Sultan Kudarat
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Province of Maguindanao
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