

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. (SUKEICO),
Applicant.**

X-----X

D O C K E T E D
Date: FEB 16 2017
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 25 June 2014, Sultan Kudarat Electric Cooperative, Inc. (SUKEICO) 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.

SUKEICO 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.

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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.

The Commission has set the Application 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.**

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.

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 10th day of February 2017 in Pasig City.


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

LS: ARG/ PAR/APV 