

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

**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF ADJUSTMENT
IN RATES BASED ON THE
TARIFF GLIDE PATH FOR
THE FOURTH TO SIXTH
REGULATORY YEARS OF
THE FIRST REGULATORY
PERIOD FOR THE FIRST
ENTRANT GROUP UNDER
THE TARIFF GLIDE PATH
RULES (TGP RULES), WITH
MOTION FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2019-033 RC

**SOUTH COTABATO I
ELECTRIC COOPERATIVE,
INC. (SOCOTECO I),
Applicant.**

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Promulgated:
JUL 17 2019

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 29 April 2019, South Cotabato I Electric Cooperative, Inc. (SOCOTECO I) filed an *Application* dated 27 March 2019, seeking the approval of its adjustment in rates based on the Tariff Glide Path (TGP) for the Fourth to Sixth Regulatory Years (RY) of the first regulatory period for the first entrant group under the TGP Rules, with motion for issuance of provisional authority.

The pertinent provisions of the *Application* are hereunder quoted as follows:

1. SOCOTECO I 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 Barangay Morales, National Highway, City of Koronadal, South Cotabato;

2. It holds and exclusive franchise issued by the National Electrification Commission, to operate an electric light and power distribution service in the City of Koronadal and certain municipalities in the Province of South Cotabato, namely: Banga, Norala, Surallah, Sto Nino, T'Boli, Lake Sebu, Tampakan, and Tantangan as well as the Municipality of Lutayan, Province of Sultan Kudarat;

Nature of the Application

3. The instant Application is being filed for the approval of the Applicant's proposed adjustment in its Distribution, Supply, and Metering (DSM) Rates to be implemented on the First to Third Regulatory Years of the Second Regulatory Period for Electric Cooperatives belonging to the First Entrant Group under the Tariff Glide Path Rules (TGP Rules) and pursuant to said Rules, as well as other pertinent laws and rules;

Statement of Facts

4. Sometime in 2013, Applicant filed with the Honorable Commission an application for approval of proposed adjustment in its DSM Rates pursuant to the TGP Rules, docketed as ERC Case No. 2013-122 RC;
5. In the said application, Applicant prayed for approval of either of the following three (3) proposed alternative DSM rates, to be implemented effective January 2014, to wit:

A. With Performance Incentive "S"

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			176.72
Distribution System Charge	PhP/kWh	0.4865	0.4684	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		49.15	49.15
Supply System Charge	PhP/kWh	0.5670		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.27	34.57	34.57
Metering System Charge	PhP/kWh	0.3380		

B. Excluding Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			172.86
Distribution System Charge	PhP/kWh	0.4759	0.4582	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		48.07	48.07
Supply System Charge	PhP/kWh	0.5546		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.16	33.82	33.82
Metering System Charge	PhP/kWh	0.3306		

C. With Performance Incentive “S” Applying ERC Resolution No. 1, Series of 2013, “Resolution Adopting the Distribution Management Committee (DMC) Reliability Indices Standards for On-Grid Electric Cooperatives”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			182.08
Distribution System Charge	PhP/kWh	0.5013	0.4826	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		50.64	50.64
Supply System Charge	PhP/kWh	0.5842		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.43	35.62	35.62
Metering System Charge	PhP/kWh	0.3483		

- 6. The foregoing application was Applicant’s initial application for DSM rate adjustment pursuant to the TGP Rules, under which electric cooperatives are given an opportunity to adjust their rates once every three (3) years, which may occur at the start of the fourth year of the First Regulatory Period and every 3 years thereafter;
- 7. Applicant belongs to the First Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2011 to December 31, 2016. Having filed its initial application for DSM rate adjustment in 2013 which is the third regulatory year of the First Regulatory Period, the cooperative is filing

the instant application for the proposed adjustment of its DSM rates to be implemented on the first to third regulatory years of the Second Regulatory Period for the First Entrant Electric Cooperatives under the TGP Rules;

8. Applicant’s first TGP application under ERC Case No. 2013-122 RC is still pending evaluation of the Honorable Commission but in spite thereof, it adopted and is using the proposed DSM rates in the said application as its bases in computing the proposed adjustment in the instant Application;

The Proposed DSM Rate Adjustment

9. Under the TGP Rules, the electric cooperative shall use the following formula in determining the TGP for the fourth to sixth years of the Regulatory period, to wit:

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

Where

$$TGP_n = I_n - X_n + S_n$$

n = the fourth year of their Regulatory Period and succeeding regulatory periods

The TGP calculated for each of the three years will be summed to determine the possible rate adjustment starting on the First Year of the next Regulatory Period.

10. Applying the methodology embodied in the TGP Rules, Applicant calculated the values of the “I”, “X”, and “S” and came up with the following results:

PARTICULARS	“I” (B)	“X” (B)	“S” (B)	TGP B	TGP B (excluding S)
YEAR 2014	0.00%	0.76%	0.50%	-0.26%	-0.76%
YEAR 2015	0.00%	0.89%	0.70%	-0.19%	-0.89%
YEAR 2016	0.00%	0.39%	0.90%	0.51%	-0.39%
TOTAL				0.06%	-2.04%

11. Utilizing the above values will result in adjustment in Applicant’s DSM Rates covering the first to third years of the Second Regulatory Period for electric cooperatives belonging to the Second Entrant Group, as follows:

A. With Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			176.82
Distribution System Charge	PhP/kWh	0.4868	0.4686	

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Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		49.18	49.18
Supply System Charge	PhP/kWh	0.5673		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	34.59	34.59
Metering System Charge	PhP/kWh	0.3382		

B. Excluding Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			169.34
Distribution System Charge	PhP/kWh	0.4662	0.4488	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		47.09	47.09
Supply System Charge	PhP/kWh	0.5433		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.05	33.13	33.13
Metering System Charge	PhP/kWh	0.3239		

C. With Performance Incentive “S” Applying ERC Resolution No. 1, Series of 2013, “Resolution Adopting the Distribution Management Committee (DMC) Reliability Indices Standards for On-Grid Electric Cooperatives”

On January 7, 2013, the Honorable Commission promulgated Resolution No. 1, Series of 2013 adopting the Distribution Management Committee (DMC) Reliability Standards for on-grid Electric Cooperatives. The standards provide for rewards and penalties, as follows:

PARTICULARS	SAIFI	SAIDI (Minutes/year)
Maximum Reward	10	1,350
Lower Neutral Zone	15	2,025
Mean	20	2,700
Upper Neutral Zone	25	3,375
Maximum Penalty	30	4,050

Considering the promulgation of the above DMC Reliability Standards, herein applicant proposes for its adoption in computing the TGP rates during the first regulatory period as it affects the value of Performance Incentive “S”.

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Applying the new DMC reliability standards, SOCOTECO I calculated the values of the “I”, “X”, and “S” and came up with the following results, to wit:

PARTICULARS	“I” (B)	“X” (B)	“S” (B)	TGP B	TGP B (excluding S)
YEAR 2014	0.00%	0.76%	1.70%	0.94%	-0.76%
YEAR 2015	0.00%	0.89%	1.50%	0.61%	-0.89%
YEAR 2016	0.00%	0.39%	2.10%	1.71%	-0.39%
TOTAL				3.26%	-2.04%

Applying the above resulted in adjustments on the cooperative’s DSM Rates, as follows:

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			188.01
Distribution System Charge	PhP/kWh	0.5176	0.4983	
Supply Charges:				
Retail Customer Charge	PhP/Customer/Mo.		52.29	52.29
Supply System Charge	PhP/kWh	0.6032		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.61	36.78	36.78
Metering System Charge	PhP/kWh	0.3596		

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above three (3) calculated alternative DSM rates, to be made effective January 1, 2019 and up to December 31, 2021, assuming that the rates be increased or adjusted accordingly, should the Honorable Commission find the same be in accordance with the TGP Rules, justified, and reasonable;

Supporting Data and Documents

13. In support of the foregoing computations, Applicant is submitting herewith the following documents, which are being made integral parts hereof:

Annex Markings	Nature of Document
A to A-2	Proposed TGP Calculations and supporting documents using the prescribed templates: - Index “I” Calculation - Efficiency Factor “X” Calculation - Performance Incentive “S” Calculation
B	MFSR – Sections B and E (2012 – 2015)
C	Billing Determinants Template (2012 – 2015 kWh Sales, No. of Customer and kW Demand)

Annex Markings	Nature of Document
D	Sample Bills per customer type (2012 – 2015)
E	Regional CPI (2009 – 2016)
F	RSFC Utilization (2012 – 2015)
G	Customer Complaints Summary or Tracking Form (2013 – 2015)
H	Audited Financial Statements (2013 – 2015)

Allegations in Support of the Motion for Provisional Authority

14. Applicant respectfully repleads herein the foregoing allegations;
15. Applicant respectfully prays that it be allowed to implement the proposed rate adjustment effective January 1, 2019, considering that it is expressly prescribed under the TGP Rules’ provision on Regulatory Period and Process, which provides in part as follows:

xxx

2. Regulatory Period and Process

2.1. On or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Periods, the electric cooperative may file before the Commission an application for a rate adjustment reflecting the values for the “I”, “X”, and “S” as determined in accordance with these rules. *The initial tariff caps of the respective ECs shall be adjusted by the “I”, “X”, and “S” effective at the start of the Fourth Regulatory Year of the First Regulatory Period xxx* (Emphasis ours)

16. Under the TGP Rules, the regulatory period is six (6) years for each entry Group. For the First Entrant Group, the first regulatory period is from January 1, 2011 to December 31, 2016 and the start of the Fourth regulatory Year is January 1, 2014. Applicant belongs to the First Entrant Group, accordingly, its initial DSM Rates under the TGP Rules should be adjusted through the proposed TGP B Rates starting January 1, 2019;
17. Aside from the foregoing, Applicant further prays for provisional authority to implement the proposed rates effective January 1, 2019 and even during the pendency of the instant application, considering that it urgently needs additional funds to be able to cope with the rising costs of its operations. Among the major factors that added to its operating costs is the implementation of the Sitio Energization Program (SEP) of the government consisting of massive extension of its distribution lines up to the remotest and far-flung areas which considerably increased its operations and maintenance costs and likewise resulted to increased system losses which the cooperative is constrained to absorb;

18. Further, the rising cost of labor, materials, tools, equipment, supplies, fuel, and other costs incidental to its daily operations, has considerably increased these past several years and the funds being generated from Applicant’s DSM charges, the rate of which were granted by the Honorable Commission way back in Year 2010 by virtue of the Rules for Setting the Electric Cooperatives’ Wheeling Rates (RESC-WR), are no longer sufficient to cover those costs, and if not addressed accordingly with the further adjustment of its rates, Applicant’s service to its consumers will be prejudiced;
19. Considering the foregoing, it is respectfully prayed that Applicant be allowed to implement the proposed increase in DSM rates effective January 1, 2019, even while the instant application is pending hearing or evaluation of the Honorable Commission;

Compliance with Pre-Filing Requirements

20. Finally, in compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, Applicant is likewise submitting herewith the following documents, which are being made integral parts hereof:

Annex Markings	Nature of Document
I	Judicial Affidavit it support of the Motion for Provisional Authority
J and Series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Koronadal City and Sangguniang Panlalawigan of South Cotabato
K and Series	Proof of publication of the Application in a newspaper of general circulation in SOCOTECO I’s franchise area or where it principally operates

Prayer

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, Applicant SOCOTECO I be allowed to implement either of the following three (3) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, to be made effective January 2019;

A. With Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			176.82
Distribution System Charge	PhP/kWh	0.4868	0.4686	
Supply Charges:				
Retail Customer	PhP/Customer/Mo.		49.18	49.18

Charge				
Supply System Charge	PhP/kWh	0.5673		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.28	34.59	34.59
Metering System Charge	PhP/kWh	0.3382		

B.

With Performance Incentive “S” Applying ERC Resolution No. 1, Series of 2013, “Resolution Adopting the Distribution Management Committee (DMC) Reliability Indices Standards for On-Grid Electric Cooperatives”Excluding Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			188.01
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C.

Excluding Performance Incentive “S”

PARTICULARS	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
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Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.05	33.13	33.13
Metering System Charge	PhP/kWh	0.3239		

Other reliefs, just 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 **15 August 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at SOCOTECO I's Main Office at Brgy. Morales, National Highway, City of Koronadal, South 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 ERC 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 ERC 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 Chairperson and CEO **AGNES VST DEVANADERA** and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 11th day of July 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for the Legal Service

LS: DPG/MVM/LSP/GEO
