

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.

X ----- X

Promulgated:
JUL 17 2019

O R D E R

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 an 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		

(This space is intentionally left blank.)

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	

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”.

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

Annex Markings	Nature of Document
	Customer and kW Demand)
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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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.

Finding the said *Application* to be sufficient in form and 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 **15 August 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at SOCOTECO I's Main Office, Brgy. Morales, National Highway, City of Koronadal, South Cotabato.**

Accordingly, SOCOTECO I 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 the consumers within SOCOTECO I's franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, 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, SOCOTECO I 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 newspaper where the said *Notice of Public Hearing* were 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 Governor, Mayors, and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by SOCOTECO I to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, the 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 proof of compliance with the requirements of the Commission.

SOCOTECO I and all interested parties are also required to submit, at least five (5) days before the date of the 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 therefor; 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 SOCOTECO I 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.

SOCOTECO I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it 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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

11 July 2019, Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


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


LS: DPG/MVM/LSP/GLO

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ORDER/ 11 JULY 2019
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Copy Furnished:

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Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
6. Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Provincial Governor
Province of South Cotabato
9. Office of the Sangguniang Panlalawigan
Province of South Cotabato
10. Office of the City Mayor
City of Koronadal
11. Office of the Sanggunang Panlungsod
City of Koronadal
12. Office of the Municipal Mayor
Banga, South Cotabato
13. Office of the Local Government Unit (LGU) Legislative Body
Banga, South Cotabato
14. Office of the Municipal Mayor
Norala, South Cotabato
15. Office of the LGU Legislative Body
Norala, South Cotabato
16. Office of the Municipal Mayor
Surallah, South Cotabato
17. Office of the LGU Legislative Body
Surallah, South Cotabato
18. Office of the Municipal Mayor
Sto. Niño, South Cotabato

19. Office of the LGU Legislative Body
Sto. Niño, South Cotabato
20. Office of the Municipal Mayor
T'Boli, South Cotabato
21. Office of the LGU Legislative Body
T'Boli, South Cotabato
22. Office of the Municipal Mayor
Lake Sebu, South Cotabato
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Lake Sebu, South Cotabato
24. Office of the Municipal Mayor
Tampakan, South Cotabato
25. Office of the LGU Legislative Body
Tampakan, South Cotabato
26. Office of the Municipal Mayor
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27. Office of the LGU Legislative Body
Tantangan, South Cotabato
28. Office of the Provincial Governor
Province of Sultan Kudarat
29. Office of the Sangguniang Panlalawigan
Province of Sultan Kudarat
30. Office of the Municipal Mayor
Lutayan, Sultan Kudarat
31. Office of the LGU Legislative Body
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17/F, Energy Regulatory Commission, Pacific Center Bldg.,
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