

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
ADJUSTMENT IN RATES  
COVERING THE FIRST TO  
THIRD REGULATORY  
YEARS OF THE SECOND  
REGULATORY PERIOD FOR  
THE SECOND ENTRANT  
GROUP UNDER THE  
TARIFF GLIDE PATH (TGP)  
RULES, WITH PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-057 RC**

**PAMPANGA RURAL  
ELECTRIC SERVICE  
COOPERATIVE, INC.  
(PRESCO),  
Applicant.**  
X-----X

**D O C K E T E D**  
Date: MAR 21 2018  
By: \_\_\_\_\_

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 09 June 2017, Pampanga Rural Electric Service Cooperative, Inc. (PRESCO) filed an *Application* dated 12 May 2017 (*Application*) seeking the Commission's approval of adjustment in rates covering the first to third regulatory years of the second regulatory period for the second entrant group under the Tariff Glide Path (TGP) rules, with prayer for provisional authority.

PRESCO alleged the following in its *Application*:

**THE APPLICANT**

1. PRESCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal offices at the Anao, Mexico, Pampanga;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution system in the (4) municipalities, namely the municipalities of Mexico, Sta. Ana, Arayat and Magalang all in the Province of Pampanga.

**NATURE OF THE APPLICATION**

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

**STATEMENT OF FACTS**

4. Sometime in year 2014, 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. 2014-049 RC.
5. In the said application, Applicant prayed for approval of either of the following two (2) proposed alternative DSM rates, to be implemented effective January 2015, to wit:

**A. WITH PERFORMANCE INCENTIVE "S"**

<b>TGP – A</b>		<b>Residential</b>	<b>Low Voltage</b>	<b>High Voltage</b>
<b>DISTRIBUTION CHARGES</b>				
Demand Charge	Php/kW			218.8336
Distribution System Charge	Php/kWh	0.5923	0.5912	
<b>SUPPLY CHARGES:</b>				
Retail Customer Charge	PhP/ Customer/ Mo.		47.9170	47.9170
Supply System Charge	Php/kWh	0.6711		
<b>METERING CHARGES:</b>				
Retail Customer Charge	PhP/ Customer/ Mo.	5.7579	35.9176	35.9176
Metering System Charge	Php/kWh	0.4225		

**B. EXCLUDING PERFORMANCE INCENTIVE "S"**

TGP - A (excluding "S")		Residential	Low Voltage	High Voltage
<b>DISTRIBUTION CHARGES</b>				
Demand Charge	Php/kW			204.9615
Distribution System Charge	Php/kWh	0.5547	0.5537	
<b>SUPPLY CHARGES:</b>				
Retail Customer Charge	PhP/ Customer/ Mo.		44.8795	44.8795
Supply System Charge	Php/kWh	0.6286		
<b>METERING CHARGES:</b>				
Retail Customer Charge	PhP/ Customer/ Mo.	5.3929	33.6407	33.6407
Metering System Charge	Php/kWh	0.3957		

6. 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 three years thereafter.
7. Applicant belongs to the Second Entrant Group under the TGP Rules, whose first regulatory period is from January 1, 2012 to December 31, 2017. Having filed its initial application for DSM rate adjustment in 2014 which is the third regulatory year of the First Regulatory Period, the cooperative is filing the instant application this present year 2017, which is the third regulatory year of the Second Regulatory Period, for the proposed adjustment of its DSM rates covering the first to third regulatory years of the Second Regulatory Period for the Second Entrant Group.
8. The hearing on jurisdictional requirements, expository presentation and presentation of evidence on Applicant's first TGP application under ERC Case No. 2014-049 RC had been completed. Also, it had already submitted its Formal Offer of Evidence and the application is now submitted for evaluation of the Honorable Commission. Despite the pendency of ERC Case No. 204-049 RC, Applicant is constrained to adopt and use the proposed DSM rates in said pending application as bases in computing the proposed adjustment in the instant Application.

**THE PROPOSED DSM RATE ADJUSTMENT**

9. Under the TGP Rules, the concerned 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 the 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, herein Applicant calculated the values of the "I", "X" and "S" and came up with the following results, to wit:

	"I"	"X"	"S"	TGP B	TGP B (excluding S)
<b>YEAR 2015</b>	<b>0.00%</b>	<b>7.45%</b>	<b>2.70%</b>	<b>-4.75%</b>	<b>-7.45%</b>
<b>YEAR 2016</b>	<b>0.00%</b>	<b>3.21%</b>	<b>2.50%</b>	<b>-0.71%</b>	<b>-3.21%</b>
<b>YEAR 2017</b>	<b>0.00%</b>	<b>0.00%</b>	<b>2.30%</b>	<b>2.30%</b>	<b>0.00%</b>
<b>TOTAL</b>				<b>-3.15%</b>	<b>-10.65%</b>

11. Utilizing the above values will result in adjustments in the cooperative'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
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			211.93
Distribution System Charge	PhP/kWh	0.5736	0.5726	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Cust/Mo		46.41	46.41
Supply System Charge	PhP/kWh	0.65		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	5.58	34.78	34.78
Metering System Charge	PhP/kWh	0.4092		

**B. EXCLUDING PERFORMANCE INCENTIVE “S”**

Particulars	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			183.12
Distribution System Charge	PhP/kWh	0.4956	0.4947	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Cust/Mo		40.10	40.10
Supply System Charge	PhP/kWh	0.5616		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	4.82	30.06	30.06
Metering System Charge	PhP/kWh	0.3536		

12. Consequently, Applicant respectfully prays that it be allowed to implement either of the above two calculated alternative DSM rates, effective January 1, 2018 and up to December 31, 2020.

**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, to wit:

<b>Annex Markings</b>	<b>Nature of Document</b>
V. A to C	Proposed TGP Calculations and supporting documents using the prescribed templates: Index “I” Calculation Efficiency Factor “X” Calculation Performance Incentive “S” Calculation
VI	MFSR - Sections B and E (2013-2016)
VII	Billing Determinants Template (2013-2016)
VIII	Sample Bills per customer type (2013-2016)
IX	Regional CPI (2013-2016)
X	RFSC Utilization (2014-2016)
XI	Consumer Complaints Summary or Tracking Form (2014-2016)
XII	Audited Financial Statements (2014-2016)

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

14. 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:

<b>Annex Markings</b>	<b>Nature of Document</b>
XIII	Publication of the Application in a newspaper of general circulation in PRESCO’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 after due notice and hearing, Applicant PRESCO be allowed to implement either of the following two (2) alternative proposed new rates for its Distribution, Supply and Metering (DSM) Charges, effective January 2018 and up to December 31, 2020, to wit:

**A. WITH PERFORMANCE INCENTIVE “S”**

Particulars	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			211.93
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**B. EXCLUDING PERFORMANCE INCENTIVE “S”**

Particulars	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
Demand Charge	PhP/kW			183.12
Distribution System Charge	PhP/kWh	0.4956	0.4947	
<b>Supply Charges:</b>				
Retail Customer Charge	PhP/Cust/Mo		40.10	40.10
Supply System Charge	PhP/kWh	0.5616		
<b>Metering Charges:</b>				
Retail Customer Charge	PhP/Meter/Mo.	4.82	30.06	30.06
Metering System Charge	PhP/kWh	0.3536		

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 **03 May 2018 (Thursday) at two o'clock in the afternoon (2:00 P.M.)**, at PRESCO's principal office at Anao, Mexico, Pampanga.

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 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.

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.

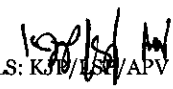
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**WITNESS**, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 12<sup>th</sup> day of March 2018 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
LS: KJN/LS/APV