

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.

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DOCKETED
Date: MAR 21 2018
By: 

ORDER

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"

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

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B. EXCLUDING PERFORMANCE INCENTIVE "S"

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

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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)
YEAR 2015	0.00%	7.45%	2.70%	-4.75%	-7.45%
YEAR 2016	0.00%	3.21%	2.50%	-0.71%	-3.21%
YEAR 2017	0.00%	0.00%	2.30%	2.30%	0.00%
TOTAL				-3.15%	-10.65%

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
Distribution Charges:				
Demand Charge	PhP/kW			211.93
Distribution System Charge	PhP/kWh	0.5736	0.5726	
Supply Charges:				
Retail Customer Charge	PhP/Cust/Mo		46.41	46.41
Supply System Charge	PhP/kWh	0.65		
Metering Charges:				
Retail Customer Charge	PhP/Meter/Mo.	5.58	34.78	34.78
Metering System Charge	PhP/kWh	0.4092		

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B. EXCLUDING PERFORMANCE INCENTIVE "S"

Particulars	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
Demand Charge	PhP/kW			183.12
Distribution System Charge	PhP/kWh	0.4956	0.4947	
Supply Charges:				
Retail Customer Charge	PhP/Cust/Mo		40.10	40.10
Supply System Charge	PhP/kWh	0.5616		
Metering Charges:				
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:

Annex Markings	Nature of Document
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:

Annex Markings	Nature of Document
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

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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
Distribution Charges:				
Demand Charge	PhP/kW			211.93
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B. EXCLUDING PERFORMANCE INCENTIVE “S”

Particulars	UNITS	CUSTOMER TYPE		
		Residential	Low Voltage	Higher Voltage
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Supply System Charge	PhP/kWh	0.5616		
Metering Charges:				
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.

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

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Accordingly, PRESCO 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 areas 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 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 the affidavits of the Editor or Business Manager of the newspapers where the said Notice of Public Hearing was published, and the complete issue of the said newspapers;

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- 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 the 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 Applicant to comply with the above requirement 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.

PRESCO 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, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 12 March 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO

KJF Kd Ad
LS: KJF/LSH/APV



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