

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
TARIFF GLIDE PATH "B"  
(TGP "B") CALCULATION  
PURSUANT TO ARTICLE  
VII OF THE RSEC-WR AND  
ERC RESOLUTION NO. 8,  
SERIES OF 2011, WITH  
PRAYER FOR  
PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2018-031 RC**

**COTABATO ELECTRIC  
COOPERATIVE, INC.  
(COTELCO),**

Applicant.

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DOCKETED  
Date: JUL 04 2018  
By: MB

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 27 April 2018, Applicant Cotabato Electric Cooperative, Inc. (COTELCO) filed an Application seeking the Commission's approval for the adjustment in its rates pursuant to the Tariff Glide Path (TGP) Rules, with prayer for the issuance of provisional authority.

COTELCO alleged the following in its Application:

**THE APPLICANT**

1. Applicant COTELCO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Manubuan, Matalam, North Cotabato, Philippines, represented herein by its

General Manager, Godofredo B. Homez, duly authorized by virtue of Board Resolution No. 08, series of 2018 dated January 26, 2018, of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof;

The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Kidapawan and the Municipalities of Makilala, Kabacan, Carmen, Mlang, Tulunan, Matalam, Pres. Roxas, Magpet, Antipas, Arakan, and Banisilan, all in the Province of North Cotabato;

**THE APPLICATION AND ITS PURPOSE**

3. That, on September 23, 2009, the Honorable Commission issued and approved Resolution No. 20 Series of 2009, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR)", which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under Section 43(f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA) and Section 5 (a), Rule 15 of its Implementing Rules and Regulations (IRR);
4. That, pursuant to the afore-mentioned ERC Resolution, Applicant filed an Application for approval of the Rate adjustment pursuant to the new rate setting methodology as provided under Resolution No. 20 dated September 23, 2009 on August 31, 2010. Accordingly, after the required public hearing, ERC in its Decision dated December 10, 2012 granted Applicant the following rates:

Particulars		Residential	Low Voltage	Higher Voltage
<b>Distribution Charges:</b>				
	PhP/Kw			<b>219.6800</b>
	PhP/kWh	<b>0.5782</b>	<b>0.7595</b>	
<b>Supply Charges:</b>				
	PhP/cust/mo		<b>42.9200</b>	<b>42.9200</b>
	PhP/kWh	<b>0.6001</b>		
<b>Metering Charges:</b>				
	PhP/cust/mo	<b>5.0000</b>	<b>35.9400</b>	<b>35.9400</b>
	PhP/kWh	<b>0.4326</b>		

5. That, on April 19, 2010, a Petition to Initiate Rule-Making on the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives Wheeling Rates (TGP Rules) was filed and docketed as ERC Case No. 2010-005;

6. That, after series of public consultations conducted by the ERC in Luzon, Visayas and Mindanao, in its Resolution No. 8, dated May 2, 2011, ERC resolved to adopt the "Rules Governing the Tariff Glide Path pursuant to Article VII of the Rules for Setting the Electric cooperatives' Wheeling Rates;
7. That, pursuant to Article VII of the RSEC-WR, the ERC adopts and promulgates the Rules governing the movement of the initial tariff caps during the Regulatory period, which shall be determined by the following formula:

$$\text{Tariff} \times [1 + \text{Index "I"} - \text{Efficiency Factor "X"} + \text{Performance Incentive "S"}]$$

The Index, "I" shall be an escalation factor to be used in adjusting the rates to reflect the combined impact of inflation and the load growth. 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 the above or below standard performance, respectively.

8. Accordingly, on May 14, 2015, Applicant COTELCO filed an application for the approval of the proposed Tariff Glide Path calculation for the first to the third year of the first regulatory period (TGP "A") docketed as ERC Case No. 2015-097 RC as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6015	0.5824
	Supply	PhP/kWh	0.6001	0.6242	0.6044
	Metering	PhP/kWh	0.4326	0.4500	0.4357
	Metering	PhP/meter/mo	5.00	5.20	5.04
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.7900	0.7650
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20
HIGHER VOLTAGE	Distribution	PhP/kWh	219.68	228.51	221.27
	Supply	PhP/cust/mo	42.92	44.65	43.23
	Metering	PhP/meter/mo	35.94	37.39	36.20

9. Pending resolution of ERC Case No. 2015-097 RC, Applicant proposes the following Tariff Glide Path calculation for the fourth to the sixth year of the first regulatory period (TGP "B"):

**9.a. Index "I" Calculation**

9.a.1. CPI Calculation (2015-2018)

Particulars	Average CPI	CPI
YEAR n-1 (2015)	148.5	
YEAR n (2016)	150.6	1.41 %

<b>YEAR n+1 (2017)</b>	155.0	<b>2.92 %</b>
<b>YEAR n+2 (2018)</b>	158.0	<b>1.94 %</b>

9.a.2. Growth Rate Calculation (2015-2018)

Particulars	Total KWh Sales	GR
<b>YEAR n-1 (2015)</b>	152,559,964	
<b>YEAR n (2016)</b>	164,221,694	<b>7.64 %</b>
<b>YEAR n+1 (2017)</b>	180,030,701	<b>9.63 %</b>
<b>YEAR n+2 (2018)</b>	187,639,590	<b>4.23 %</b>

9.b. Efficiency Factor "X" Calculation

9.b.1. Calculation of Man-hours (2015-2018)

Particulars	2015	2016	2017	2018
<b>Regular</b>	<b>356,448</b>	<b>337,832</b>	<b>354,576</b>	<b>658,341</b>
<b>Contractual</b>				
<b>Meter Reading</b>	51,840	49,920	49,920	29,120
<b>Disconnectors</b>	2,928	32,144	27,032	13,808
<b>Pole Replacement</b>	1,971	3,938	5,444	3,945
<b>Line Clearing</b>	1,971	3,938	5,444	3,945
<b>Service Dropping</b>	42,800	38,660	54,095	38,185
<b>Utility men</b>	22,616	22,088	21,480	22,792
<b>Security Guards</b>	119,720	131,400	140,544	146,000
<b>Legal Counsel &amp; External Auditor</b>	6,168	6,024	6,048	6,216
<b>Drivers</b>	18,504	81,842	110,827	107,607
<b>Office Worker</b>	0	35,992	35,992	35,992
<b>Total Manhours</b>	<b>624,966</b>	<b>743,778</b>	<b>811,402</b>	<b>1,065,950</b>

9.b.2. FTE/CPE (2015-2018)

Particulars	2015	2016	2017	2018
<b>TOTAL MANHOURS</b>	624,966	743,778	811,402	1,065,950
<b>Full time equivalent man hours per year</b>	2,080	2,080	2,080	2,080
<b>FTE</b>	300	358	390	512
<b>Total number of billed connections (yearend)</b>	111,267	117,279	126,836	133,088
<b>CPE</b>	<b>370</b>	<b>328</b>	<b>325</b>	<b>260</b>

9.c. Performance Incentive "S" Calculation

9.c.1. SAIDI Calculation (2016-2018)

	2016	2017	2018
<b>Customer Minutes Affected</b>	34,384,621	25,280,782	29,558,103
<b>No. of Billed Customers</b>	114,360	122,627	130,632
<b>SAIDI</b>	<b>300.67</b>	<b>206.16</b>	<b>226.27</b>

9.c.2. SAIFI Calculation (2016-2018)

	2016	2017	2018
<b>Customers Affected</b>	2,282,626	2,038,061	2,225,969
<b>Customers served</b>	114,360	122,627	130,632
<b>SAIFI</b>	<b>19.96</b>	<b>16.62</b>	<b>17.04</b>

9.c.3. SL Calculation (2015-2018)

MWH	2015	2016	2017	2018
<b>kWh Purchased</b>	175,266,592	188,007,798	205,476,165	213,854,614
<b>kWh Sold</b>	152,559,964	164,221,694	180,030,701	187,639,590
<b>System Loss (in kWh)</b>	22,706,628	23,786,105	25,445,465	26,215,024
<b>System Loss (in %)</b>	<b>12.96%</b>	<b>12.65%</b>	<b>12.38%</b>	<b>12.26%</b>

Details of the aforementioned calculations are provided and contained in **Annex "B"** hereof.

10. That, as observed, there is a minimal upward adjustment in Applicant's rates resulting in a 3.70% adjustment including "S" and 0% adjustment excluding "S" on the rates, as shown hereunder:

	"I"	"X"	"S"	TGP B (including S)	TGP B (excluding S)
<b>YEAR 2016</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.10%</b>	<b>1.10%</b>	<b>0.00%</b>
<b>YEAR 2017</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.50%</b>	<b>1.50%</b>	<b>0.00%</b>
<b>YEAR 2018</b>	<b>0.00%</b>	<b>0.00%</b>	<b>1.10%</b>	<b>1.10%</b>	<b>0.00%</b>
<b>TOTAL</b>				<b>3.70%</b>	<b>0.00%</b>

11. That, in support of the application, attached herewith in a separate bundle are the following:

As Annex	Document
"C"	- MFSR (Sections B & E) (2014-2017)
"D"	- Billing Determinants Template (kWh Sales, No. of customers, kW Demand (2014-2017)

- “E” - Sample Bills (1 per customer type for the years 2014-2017)
- “F” - Regional CPI for the years 2014-2017
- “G” - RFSC/Reinvestment fund Utilization for the years 2015-2017
- “H” - Consumer Complaints (Summary or tracking form) for the years 2015-2017
- “I” - Audited Financial Statement (2015-2017)

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

12. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the Municipality of Matalam where Applicant principally operates and the Legislative Body of the Province of North Cotabato. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
13. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes “J” and “K”** respectively. Likewise attached hereto as **Annexes “L” and “M”** are the Affidavit of Publication and the newspaper issue containing the published Application;

**APPLICATION**  
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14. That the current rate is no longer responsive and adequate to the needs of the Applicant since the costs of providing electric service to the consumers increased significantly;
15. That, with this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;
16. That, considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the proposed rate herein prayed for shall be granted;
17. That, the provisional authority thus prayed for would bring forth relief on the financial constraints suffered by the Applicant, if not remedied, may resort to unreasonable operational decline. Attached herewith is the judicial affidavit of the Corporate

Planning, Information Technology and Retail Services  
 Department Manager, Joel V. de Guzman, Jr., in support of the  
 prayer for provisional authority marked as **Annex "N"**.

**PRAYER**

**WHEREFORE**, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

- To approve the proposed Tariff Glide Path "B" Rates (**TGP "B"**) calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC-Rates	Tariff Glide Path Rates including S	Tariff Glide Path Rates excluding S
Residential	Distribution	PhP/kWh	0.5782	0.6237	0.5824
	Supply	PhP/kWh	0.6001	0.6473	0.6044
	Metering	PhP/kWh	0.4326	0.4666	0.4357
	Metering	PhP/meter/mo	5.00	5.39	5.04
LOW VOLTAGE	Distribution	PhP/kWh	0.7595	0.8193	0.7650
	Supply	PhP/cust/mo	42.92	46.30	43.23
	Metering	PhP/meter/mo	35.94	38.77	36.20
HIGHER VOLTAGE	Distribution	PhP/kW	219.68	236.97	221.27
	Supply	PhP/cust/mo	42.92	46.30	43.23
	Metering	PhP/meter/mo	35.94	38.77	36.20

- To issue an Order granting Applicant a provisional authority to implement the proposed tariff glide path rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

Other reliefs, just and equitable under 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 **27 September 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at COTELCO's Main Office in Matalam, North 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:

- 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 **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 18<sup>th</sup> day of June 2018 in Pasig City.

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