

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: _____

ORDER

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
Distribution Charges:				
	PhP/Kw			219.6800
	PhP/kWh	0.5782	0.7595	
Supply Charges:				
	PhP/cust/mo		42.9200	42.9200
	PhP/kWh	0.6001		
Metering Charges:				
	PhP/cust/mo	5.0000	35.9400	35.9400
	PhP/kWh	0.4326		

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/kW	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 %
YEAR n+1 (2017)	155.0	2.92 %
YEAR n+2 (2018)	158.0	1.94 %

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

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

9.b. Efficiency Factor "X" Calculation

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

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

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

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

9.c. Performance Incentive "S" Calculation

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

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

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

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

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

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

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)
YEAR 2016	0.00%	0.00%	1.10%	1.10%	0.00%
YEAR 2017	0.00%	0.00%	1.50%	1.50%	0.00%
YEAR 2018	0.00%	0.00%	1.10%	1.10%	0.00%
TOTAL				3.70%	0.00%

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;

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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/kWh	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.

Finding the said Application to be 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 **27 September 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at COTELCO's Main Office in Matalam, North Cotabato.**

Accordingly, COTELCO is hereby directed to:

- 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 Governor, 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 of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise 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 affidavits of the Editors or Business Managers of the newspapers 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 bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other 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:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of Applicant 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.

COTELCO 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

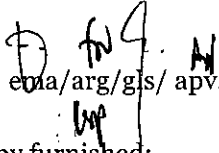
is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 18 June 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: ~~ema~~/arg/gjs/ apv.2018-031 RC COTELCO.doc

Copy furnished:

1. Atty. Alan Byrne S. Gaviola
Counsel for COTELCO
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
2. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village , Makati City
3. Commission on Audit
Commonwealth Ave., Quezon City
4. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
5. The Committee on Energy
House of Representatives
Batasan Hills, Quezon City
6. Office of the City Mayor
Kidapawan, North Cotabato
7. Office of the City LGU Legislative Body
Kidapawan, North Cotabato
8. Office of the Mayor
Antipas, North Cotabato
9. Office of the LGU Legislative Body
Antipas, North Cotabato
10. Office of the Mayor
Arakan, North Cotabato
11. Office of the LGU Legislative Body
Arakan, North Cotabato

12. Office of the Mayor
Banisilan, North Cotabato
13. Office of the LGU Legislative Body
Banisilan, North Cotabato
14. Office of the Mayor
Carmen, North Cotabato
15. Office of the LGU Legislative Body
Carmen, North Cotabato
16. Office of the Mayor
Kabacan, North Cotabato
17. Office of the LGU Legislative Body
Kabacan, North Cotabato
18. Office of the Mayor
Magpet, North Cotabato
19. Office of the LGU Legislative Body
Magpet, North Cotabato
20. Office of the Mayor
Makilala, North Cotabato
21. Office of the LGU Legislative Body
Makilala, North Cotabato
22. Office of the Mayor
Matalam, North Cotabato
23. Office of the LGU Legislative Body
Matalam, North Cotabato
24. Office of the Mayor
Mlang, North Cotabato
25. Office of the LGU Legislative Body
Mlang, North Cotabato
26. Office of the Mayor
Pres. Roxas, North Cotabato
27. Office of the LGU Legislative Body
Pres. Roxas, North Cotabato
28. Office of the Mayor
Tulunan, North Cotabato
29. Office of the LGU Legislative Body
Tulunan, North Cotabato
30. Office of the Governor
Province of North Cotabato
31. Office of the LGU Legislative Body
Province of North Cotabato
32. Regulatory Operations Service
ERC
17/F Pacific Center Bldg., San Miguel Ave.
Ortigas, Pasig City