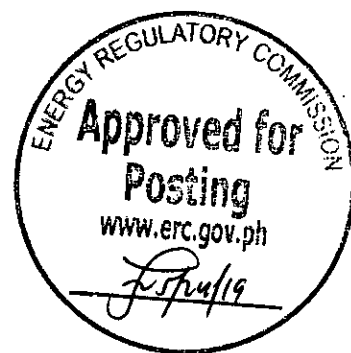


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE THIRD
TARIFF GLIDE PATH
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. 2019-032 RC

**BUKIDNON SECOND
ELECTRIC COOPERATIVE,
Inc. (BUSECO),**

Applicant.

X-----X

Promulgated:

MAY 23 2019

ORDER

On 29 April 2019, Applicant Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an *Application* dated 26 April 2019, seeking the Commission's approval of its third Tariff Glide Path (TGP) calculation pursuant to Article VII of the Rules for Setting the Electric Cooperatives' Wheeling Rate (RSEC-WR) and Commission's Resolution No. 8, Series of 2011, with prayer for provisional authority.

In the said *Application*, BUSECO alleged the following, among others:

1. Bukidnon Second Electric Cooperative, Inc. (BUSECO) is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Manolo Fortich, Bukidnon where it may be served with notices and other legal processes, represented in this Application by its Board President ALEX D. PAYANGGA and OIC-General Manager, CRISTOPHER A. DULFO, authorized by virtue of Board Resolution No. 19 - 03- 08 dated March 7, 2019, copy of which is attached hereto as Annex "A" and made an integral part hereof;

The filing of the instant Application is likewise authorized by virtue of the abovementioned resolution. Moreover, Resolution No. 19-03-09, is hereby attached as Annex "A-1" authorizing BUSECO legal counsel Atty. Eleuterio F. Diao IV to represent BUSECO in the filing

of the application, expository presentation, jurisdictional and evidentiary hearing, public consultations and other proceedings relative with the BUSECO application for approval of the Third Tariff Glide Path calculation pursuant to Article VII of the RSEC-WR and ERC Resolution No. 8, Series of 2011;

Applicant has the exclusive right and authority to operate an electric light and power services in the City of Malaybalay and the Municipalities of Malitbog, Baungon, Talakag, Cabanglasan, Impasug-ong, Libona, Manolo Fortich, Sumilao, Lantapan and Barangay Lilingayon, part of Valencia City, all in the Province of Bukidnon by virtue of a franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645;

2. 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);
3. Pursuant to the aforementioned ERC Resolution Applicant filed its 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 November 20, 2009. Accordingly, after the required public hearing, ERC in its Order dated January 11, 2010 granted Applicant the provisional authority for the following rates:

		Residential	Low Voltage	Higher Voltage
Distribution Charges:				
	PhP/kW			190.0300
	PhP/kWh	0.5143	0.5134	
Supply Charges:				
	PhP/cust/mo		41.6100	41.6100
	PhP/kWh	0.5828		
Metering Charges:				
	PhP/meter/mo	5.0000	31.1900	31.1900
	PhP/kWh	0.3669		

4. 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;

5. After a series of public consultations conducted by the ERC in its offices 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;
6. 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.

7. That on July 31, 2013, the Applicant filed the first TGP application;
8. That on April 29, 2016, the Applicant filed the second TGP application;
9. That awaiting for the decision of the Honorable Commission on the Applicant’s previous application for rate adjustment, Applicant opted to use the existing rules in applying for a rate adjustment as provided in Resolution No. 08 s, 2011, entitled “Adopting the Rules Governing the Tariff Glide Path Pursuant to Article VII of the Rules for Setting the Electric Cooperatives’ Wheeling Rates” and used the computed rates in the previous applications as the base rate for this third TGP application and proposes the following:

9.a. Index “I” Calculation

9.a.1. CPI Calculation (2016-2019)

Particulars	Average CPI	CPI
YEAR n-1 (2016)	109.6	
YEAR n (2017)	112.1	2.28%
YEAR n+1 (2018)	115.5	3.03%
YEAR n+2 (2019)	121.6	5.28%

9.a.2. Growth Rate Calculation (2016-2019)

Particulars	Total KWh Sales	GR
YEAR n-1 (2016)	135,033,867	
YEAR n (2017)	144,026,701	6.66%
YEAR n+1 (2018)	161,592,215	12.20%
YEAR n+2 (2019)	174,331,706	7.88%

9.b. Efficiency Factor "X" Calculation

9.b.1. Calculation of Man-hours (2016-2019)

Particulars	2016	2017	2018	2019
Working Hours- Regular Employees	381,216	378,660	361,474	400,000
Working Hours- Contractual Employees	139,587	203,838	254,525	270,353
Total Working Hours	520,803	582,498	615,999	670,353

9.b.2. FTE/CPE (2016-2019)

Particulars	2016	2017	2018	2019
TOTAL MANHOURS	520,803	582,498	615,999	670,353
Full time equivalent man hours per year	2,080	2,080	2,080	2,080
FTE	250	280	296	322
Total number of billed connections (year-end)	84,038	88,652	92,764	97,715
CPE	336	317	313	303

9.c. Performance Incentive "S" Calculation

9.c.1. SAIDI Calculation (2017-2019)

SAIDI	2017	2018	2019
Sum of customer interruption duration	74,077,614	74,727,548	59,188,448
Average no. of customers served	86,746	90,863	95,396
SAIDI	853.96	822.42	620.45

9.c.2. SAIFI Calculation (2017-2019)

SAIFI	2017	2018	2019
Total no. of customer interruption	1,126,831	1,018,574	742,181
Average no. of customers served	86,746	90,863	95,396
SAIFI	12.99	11.21	7.78

9.c.3. SL Calculation (2017-2019)

SL	2017	2018	2019
kWh Purchased	161,012,345	181,307,524.45	191,052,228
kWh Sold	144,026,701	161,592,215.05	174,331,705.81
System Loss (in kWh)	16,985,644.26	19,715,309.40	16,720,522.18
System Loss (in %)	10.55%	10.87%	8.75%

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

10. As observed, there is a minimal upward adjustment in the Applicant's rates resulting in a 5.50 % adjustment including "S" and 0.00 % adjustment excluding "S", as shown hereunder:

	"I"	"X"	"S"	TGP (including "S")	TGP (excluding "S")
YEAR 2017	0.00%	0.00%	1.50%	1.50%	0.00%
YEAR 2018	0.00%	0.00%	1.50%	1.50%	0.00%
YEAR 2019	0.00%	0.00%	2.50%	2.50%	0.00%
TOTAL				5.50%	0.00%

11. Attached herewith in a separate bundle marked as Annex "C" are the following:

"C-1"	Man hours computation (2015-2018)
"C-2"	MFSR (Sections B & E for 2015-2018)
"C-3"	Billing Determinants Template (kWh Sales, No. of Customers, kW Demand for 2015-2018)
"C-4"	Sample Bills (1 per customer type for 2015-2018)
"C-5"	Regional CPI (2015-2018)
"C-6"	RFSC/Reinvestment fund Utilization (2015-2018)
"C-7"	Consumer Complaints (Summary or tracking form) (2015-2018)
"C-8"	Audited Financial Statement (2015-2018)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

In compliance with the Pre-Filing requirements, Applicant furnished copies of this Application together with all its annexes to the legislative bodies within its franchise area as well as the Provincial Board of the Province of Bukidnon, as evidenced by the certifications of the legislative bodies aforementioned herewith attached as Annexes "D" and "E". Likewise, a copy of the Application was published in the Gold Star Daily, a newspaper of general circulation in the franchise area of the Applicant and as evidenced by the Affidavit of Publication executed by the Editor, and original copy of the issue showing the published application, copies of which are attached hereto as Annexes "F" and "G", respectively;

APPLICATION FOR PROVISIONAL AUTHORITY

12. Applicant reiterates and incorporates the foregoing allegations in its application for the grant of a provisional authority to immediately implement the relief herein prayed for, and further alleges that:

[11.a.] The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly;

[11.b.] With this unresponsive current rate, an urgent remedy is imperative and should necessarily be implemented;

[11.c.] 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;

[11.d.] The provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline;

PRAYER

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

1. To approve the proposed Tariff Glide Path Rates calculated as follows:

Type of Consumer	Particulars	Unit	Approved RSEC Rates	1 st TGP including "S"	1 st TGP excluding "S"	2 nd TGP including "S"	2 nd TGP excluding "S"	3 rd TGP including "S"	3 rd TGP excluding "S"
RESIDENTIAL	Distribution	PhP/kWh	0.5143	0.5466	0.5193	0.5766	0.5193	0.6083	0.5193
	Supply	PhP/kWh	0.5828	0.6194	0.5885	0.6534	0.5885	0.6894	0.5885
	Metering	PhP/kWh	0.3669	0.3899	0.3705	0.4114	0.3705	0.4340	0.3705
	Metering	PhP/meter / mo	5.00	5.3137	5.0487	5.6060	5.0487	5.9143	5.0487
LOW VOLTAGE	Distribution	PhP/kWh	0.5134	0.5456	0.5184	0.5756	0.5184	0.6073	0.5184
	Supply	PhP/cust/ mo	41.61	44.2206	42.0153	46.6528	42.0153	49.2187	42.0153
	Metering	PhP/meter / mo	31.19	33.1469	31.4938	34.9700	31.4938	36.8933	31.4938
HIGHER VOLTAGE	Distribution	PhP/kW	190.03	201.9526	191.8810	213.0600	191.8810	224.7783	191.8810
	Supply	PhP/cust/ mo	41.61	44.2206	42.0153	46.6528	42.0153	49.2187	42.0153
	Metering	PhP/meter / mo	31.19	33.1469	31.4938	34.9700	31.4938	36.8933	31.4938

2. 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.

Finding the said *Application* to be sufficient in form and 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 **11 July 2019 (Thursday) at nine o'clock in the morning (9:00 A.M.) at BUSECO's Principal Office at Manolo Fortich, Bukidnon.**

Accordingly, BUSECO 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 Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within BUSECO's franchise area for the appropriate posting thereof on its respective bulletin boards;
- 3) Inform the consumers within BUSECO'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, BUSECO 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 Provincial 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 BUSECO to inform the consumers within the affected areas 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 proofs of compliance with the requirements of the Commission.

BUSECO 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 BUSECO 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.

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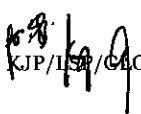
BUSECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 21 May 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

LS: KJP/LSR/CAO


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COPY FURNISHED:

1. Atty. Eleuterio F. Diao IV
Counsel for Applicant BUSECO
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Cagayan de Oro City
2. Bukidnon Second Electric Cooperative, Inc. (BUSECO)
Applicant
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3. Office of the Solicitor General (OSG)
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4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1307
6. House Committee on Energy
Batasan Hills, Quezon City 1126
7. Office of the Governor
Province of Bukidnon
8. Office of the Local Government (LGU) legislative body
Province of Bukidnon
9. Office of the City Mayor
Malaybalay, Bukidnon
10. Office of the Local Government (LGU) legislative body
Malaybalay, Bukidnon
11. Office of the City Mayor
Valencia City
12. Office of the Local Government (LGU) legislative body
Valencia City
13. Office of the Mayor
Municipality of Malitbog, Bukidnon
14. Office of the Local Government (LGU) legislative body
Malitbog, Bukidnon
15. Office of the Mayor
Baungon, Bukidnon
16. Office of the Local Government (LGU) legislative body
Baungon, Bukidnon
17. Office of the Mayor
Talakag, Bukidnon
18. Office of the Local Government (LGU) legislative body
Talakag, Bukidnon
19. Office of the Mayor
Cabanglasan, Bukidnon
20. Office of the Local Government (LGU) legislative body
Cabanglasan, Bukidnon
21. Office of the Mayor
Impasug-ong, Bukidnon

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22. Office of the Local Government (LGU) legislative body
Impasug-ong, Bukidnon
23. Office of the Mayor
Libona, Bukidnon
24. Office of the Local Government (LGU) legislative body
Libona, Bukidnon
25. Office of the Mayor
Manolo Fortich, Bukidnon
26. Office of the Local Government (LGU) legislative body
Manolo Fortich, Bukidnon
27. Office of the Mayor
Sumilao, Bukidnon
28. Office of the Local Government (LGU) legislative body
Sumilao, Bukidnon
29. Office of the Mayor
Lantapan, Bukidnon
30. Office of the Local Government (LGU) legislative body
Lantapan, Bukidnon
31. Regulatory Operations Service (ROS)
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City