

**RULES GOVERNING THE TARIFF GLIDE
PATH PURSUANT TO
ARTICLE VII OF THE
RULES FOR SETTING THE ELECTRIC
COOPERATIVES' WHEELING RATES
(RSEC-WR)**



Section 1: General Provisions

- **Background**



Develop a tariff setting methodology that would be more responsive to the needs of the Electric Cooperatives (ECs) given the objectives of the EPIRA



Encourage reforms in the structure and operations of the ECs for greater efficiency and lower costs; and



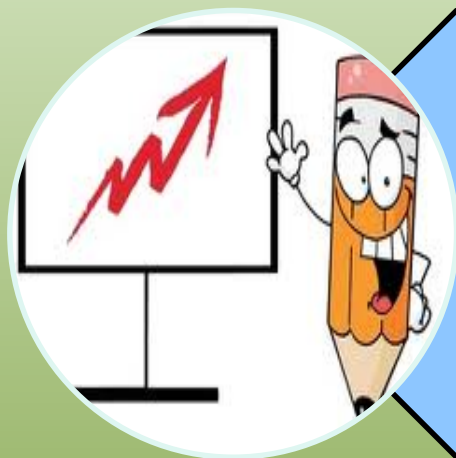
Introduce the framework that will allow efficiency gains to be shared between the EC and the end-users.

Section 2: Regulatory Period and Process

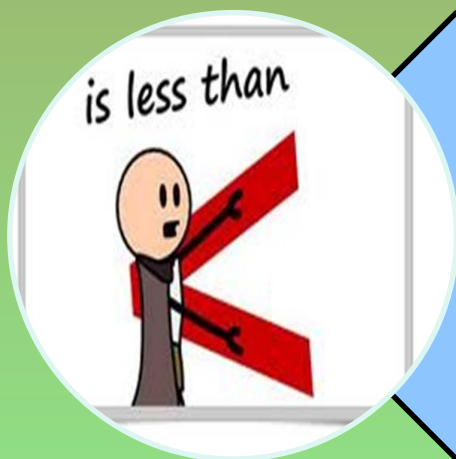
- On or before each Fourth month of the Third and Sixth regulatory year of their respective Regulatory Periods, the electric cooperative may file before the Commission an application for a rate adjustment reflecting the values for the “I”, “X” and “S” as determined in accordance with these rules.



Section 2: Regulatory Period and Process



Should the rate adjustment calculated in accordance with 2.2 results in an increase, the EC may waive its right to file for an adjustment or pray for a onetime adjustment equal to or less than the Tariff Glide Path amount.



Should the EC decide to implement a rate increase less than the amount calculated in accordance with 2.2 the EC waives the right to any further increase applicable for the relevant Regulatory Period.

Section 2: Regulatory Period and Process



Should the rate adjustment calculated in accordance with 2.2 results in a decrease the EC shall implement the full amount of the reduction in rates. Failure of the EC to apply for and implement the rate reduction will be subject to the ERC's Rules on the Imposition of Fines and Penalties.

First Entrant Group

- **First Regulatory Period: January 01, 2011 to December 31, 2016**

1	CEBECO III	16	ISECO
2	ASELCO	17	LEYECO V
3	CENECO	18	MOELCI I
4	LEYECO II	19	MOELCI II
5	SOCOTECO I	20	MORESCO II
6	ALECO	21	NOCECO
7	ANECO	22	PANELCO I
8	BENECO	23	PELCO II
9	BUSECO	24	PENELCO
10	CAGELCO II	25	SORECO I
11	CASURECO I	26	SURNECO
12	DORELCO	27	TARELCO II
13	FIBECO	28	ZAMCELCO
14	FLECO	29	ZAMECO I
15	ILECO II		

Second Entrant Group

- **First Regulatory Period: January 01, 2012 to December 31, 2017**

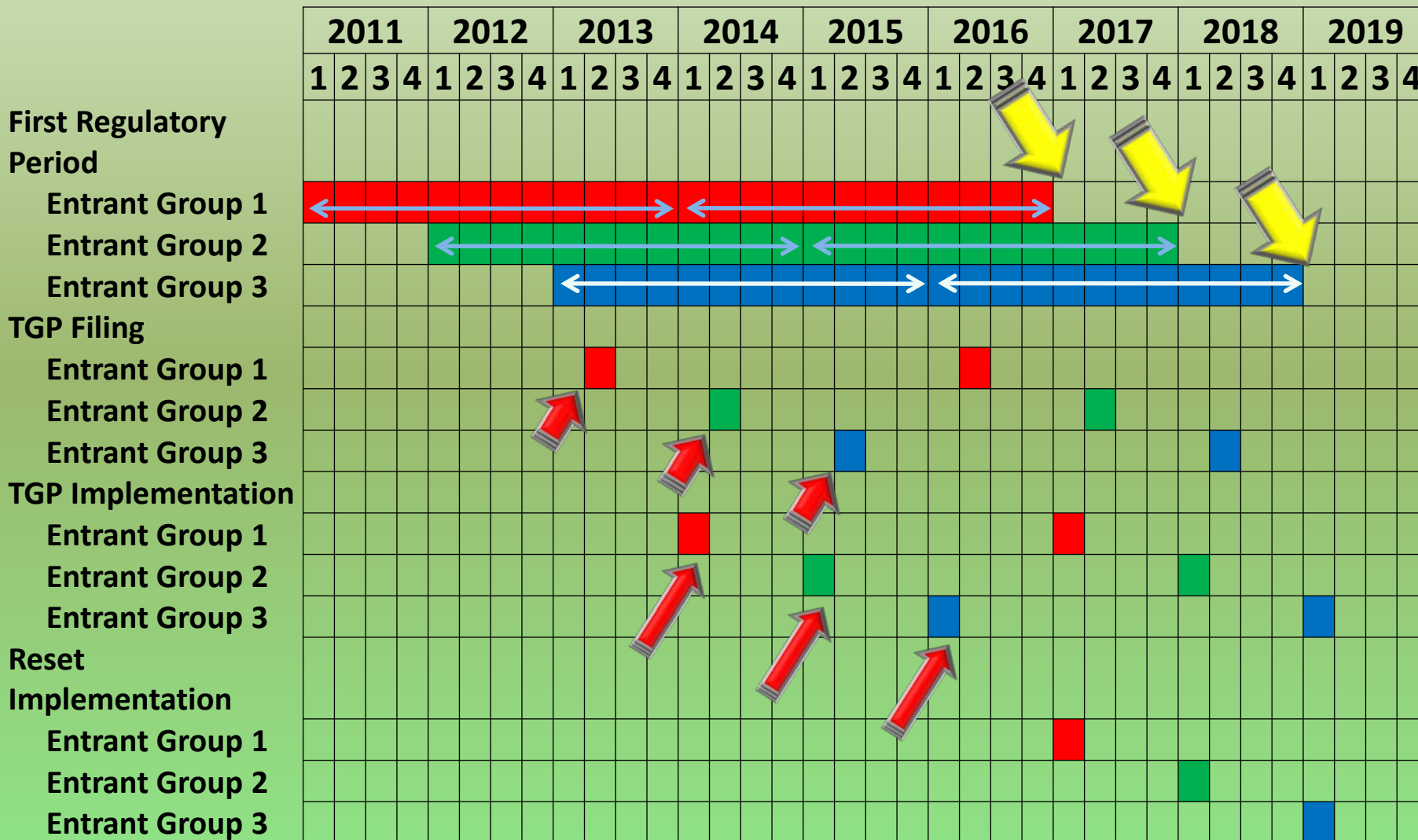
1	SOCOTECO II	19	ISELCO I
2	ABRECO	20	LUELCO
3	AKELCO	21	MORESCO I
4	BATELEC I	22	NEECO I
5	BATELEC II	23	NEECO II A-1
6	BOHECO I	24	NEECO II A-2
7	CAGELCO I	25	NORECO I
8	CAMELCO	26	NUVELCO
9	CANORECO	27	PANELCO III
10	CAPELCO	28	PRESCO
11	CASURECO III	29	SAJELCO
12	CASURECO IV	30	SORECO II
13	CENPELCO	31	SUKELCO
14	DANECO	32	SURSECO I
15	DORECO	33	ZAMECO II
16	ILECO I	34	ZAMSURECO I
17	ILECO III	35	ZAMSURECO II
18	INEC		

Third Entrant Group

- **First Regulatory Period: January 01, 2013 to December 31, 2018**

1	CEBECO I	17	MOPRECO
2	ANTECO	18	NORECO II
3	AURELCO	19	NORSAMELCO
4	BILECO	20	PELCO I
5	BOHECO II	21	QUEZELCO I
6	CASURECO II	22	QUEZELCO II
7	CEBECO II	23	QUIRELCO
8	DASURECO	24	SAMELCO I
9	ESAMELCO	25	SAMELCO II
10	GUIMELCO	26	SIARELCO
11	IFELCO	27	SOLECO
12	ISELCO II	28	SURSECO II
13	KAELCO	29	TARELCO I
14	LANECO	30	VRESCO
15	LEYECO III	31	ZANECO
16	LEYECO IV		

RSECWR –TGP (Timeline)



Section 3: Determination of the Tariff Glide Path

- The initial tariff caps for the Distribution, Supply and Metering (DSM) will be adjusted no more often than every three years by a rate determined by a composite of factors that closely reflect the movements in the prices of inputs to production adjusted to reflect the impact of growth in the sales on the utility's revenue ("I") and induce cost reductions through improved levels of efficiency ("X")



Section 3: Determination of the Tariff Glide Path

- The methodology also includes setting of service quality standards that ECs must adhere to that may result to a penalty or reward depending on its performance (“S”)



Section 3: Determination of the Tariff Glide Path



- The EC shall use the following formula in determining the Tariff Glide Path for the first to third year of the Regulatory Period:

$$TGP_1 = TGP_n + TGP_{n+1} + TGP_{n+2}$$

where:

$$TGP_n = I_n - X_n + S_n$$

n = the first 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 for the start of the next year

- **98 ECs filed their respective Applications from October 2009 to December 2009.**
- **The Commission issued 98 PA in January 2010 while 47 Decisions were issued from September 2010 to March 2012.**

TARIFF GLIDE PATH (TGP)



- All 29 First Entrant ECs filed their respective Applications.
- 28 out of 35 Second Entrant ECs filed their respective Applications.
- 31 out of 34 Third Entrant ECs filed their respective Applications.

NEXT STEPS

1. Provide RSEC-WR Closure
2. Complete legal proceedings for
TGP applications
3. Provide closure for TGP
4. Transition to Reset

