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

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF AN ADJUSTMENT IN RATES UNDER THE RULES FOR SETTING ELECTRIC COOPERATIVES' WHEELING RATES (RSEC-WR), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2010-106 RC

COTABATO ELECTRIC COOPERATIVE, INC. (COTELCO),
Applicant.
x- -x

DOCKETED
Date: JAN 03 2012
By:

DECISION

Before the Commission for resolution is the application filed on August 31, 2010, by Cotabato Electric Cooperative, Inc. (COTELCO) for approval of an adjustment in rates under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), with prayer for provisional authority.

In the said application, COTELCO alleged, among others, the following:

1. 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) authorize the Commission to establish a methodology for setting distribution wheeling rates;

2. By virtue of said authority, as early as 2006, the Commission embarked on a process to establish a new rate setting methodology for determining electric cooperatives' (ECs) rates;

3. From 2006 to 2009, the Commission conducted several public consultations with the industry stakeholders to discuss the details of the new regulatory framework for setting the ECs' wheeling rates;

4. It participated in the said public consultations and submitted data/documents required by the Commission for the purpose of implementing said RSEC-WR;

5. Said regulatory framework is embodied in a document denominated as the *Rules for Setting the Electric Cooperatives' Wheeling Rates* (RSEC-WR);

6. The regulatory framework as embodied in RSEC-WR seeks to develop a regulatory regime that encourages efficiency in the operations of the ECs, provides incentives for their good performance on a regulatory perspective, eases the regulatory burden and can easily be implemented and monitored;

7. After holding another round of public consultations nationwide, particularly in the localities where the ECs operate, on September 24, 2009, the Commission promulgated and caused the publication of RSEC-WR;

8. On July 2, 2010, its Board of Directors passed Board Resolution No. 41-2010 imploring upon the Commission to implement the new rate setting methodology embodied in RSEC-WR;

9. Under RSEC-WR, it was categorized as Group "E";

10. As a Group "E" EC, its Operating Revenue Requirement (ORR) per kWh is PhP1.3200;

11. It is required to implement new customer classes as shown below:

Existing Customer Classes and New Customer Classes

EXISTING CUSTOMERS	NEW CUSTOMER SEGMENTATION
Residential	Residential Customers
Commercial	Low Voltage Customers
Public Building	
Street Lights	
Industrial	
Industrial	Higher Voltage
Commercial	
Public Building	

12. After functionalizing and allocating its ORR and using the new customer classes, its initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Initial DSM Rate Caps per Customer Class

	RESIDENTIAL		Low Voltage			Higher Voltage		
GROUP E	PhP/kWh	PhP/ Meter/Mo.	PhP/kWh	PhP/ Cust/Mo.	PhP/ Meter/Mo.	PhP/kW	PhP/ Cust/Mo.	PhP/ Meter/Mo.
Distribution	0.5782	-	0.7595	-	-	219.6807	-	-
Supply	0.6001	-	-	42.9203	-	-	42.9203	-
Metering	0.4326	5.0000	-		35.9431	-	-	35.9431

13. As a Group "E" EC, it is also authorized to collect a Member's Contribution for Capital Expenditure (MCC) Rate in the amount of PhP0.2904/kWh;

14. Considering the above mentioned rates, its rate caps would be as follows:

a.) DSM – PhP1.3200/kWh; and b.) MCC PhP0.2904/kWh;

	RESIDENTIAL		Low Voltage			Higher Voltage			
GROUP E	PhP/kWh	PhP/ Meter/Mo.	PhP/kWh	PhP/ Cust/Mo.	PhP/ Meter/Mo.	PhP/kW	PhP/kWh	PhP/ Cust/Mo.	PhP/ Meter/Mo.
Distribution	0.5782	-	0.7595	-	-	219.6807	-	-	-
Supply	0.6001	-	-	42.9203	-	-	-	42.9203	-
Metering	0.4326	5.0000	-	-	35.9431	-	-	-	35.9431
MCC	0.2904	-	0.2904	-	-	-	0.2904	-	-

15. It intends to move the rate caps during the transition period as follows:

Proposed Transition Rates

PARTICULARS	Unit/s	Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		**1.0000**	**0.3333**	**0.3333**	**0.3333**
RESIDENTIAL					
Cust. Type: Residential					
Distribution	PhP/kWh	1.1831	0.9815	0.7798	0.5782
Supply	PhP/kWh	0.5833	0.5889	0.5945	0.6001
Metering	PhP/Meter/Mo	5.0000	5.0000	5.0000	5.0000
Metering	PhP/kWh	0.2455	0.3079	0.3702	0.4326
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.2487)	-	-	-

PARTICULARS	Unit/s	Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		**1.0000**	**0.3333**	**0.3333**	**0.3333**
LOW VOLTAGE					
Cust. Type: Commercial					
Distribution	PhP/kWh	0.6098	0.6597	0.7096	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	37.9100	39.5801	41.2502	42.9203
Metering	PhP/Meter/Mo	33.8400	34.5410	35.2420	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1141)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(3.5898)	-	-	-
Cust. Type: Industrial					
Distribution	PhP/kWh	0.1368	0.3444	0.5519	0.7595
Distribution	PhP/kW	18.7000	12.4667	6.2333	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	43.7000	43.4401	43.1802	42.9203
Metering	PhP/Meter/Mo	550.7700	379.1610	207.5520	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.0584)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(49.6741)	-	-	-
Cust. Type: Public Building					
Distribution	PhP/kWh	0.5335	0.6088	0.6842	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	38.1900	39.7668	41.3435	42.9203
Metering	PhP/Meter/Mo	20.8100	25.8544	30.8987	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1022)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(2.4282)	-	-	-
Cust. Type: Street Lights					
Distribution	PhP/kWh	2.5715	1.9675	1.3635	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	37.5000	39.3068	41.1135	42.9203
Metering	PhP/Meter/Mo	-	11.9810	23.9620	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.6406)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(0.5733)	-	-	-

PARTICULARS	Unit/s	Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		**1.0000**	**0.3333**	**0.3333**	**0.3333**
HIGHER VOLTAGE					
Cust. Type: Industrial					
Distribution	PhP/kWh	0.1368	0.0912	0.0456	-
Distribution	PhP/kW	18.7000	85.6936	152.6871	219.6807
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	43.7000	43.4401	43.1802	42.9203
Metering	PhP/Meter/Mo	550.7700	379.1610	207.5520	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.0584)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(49.6741)	-	-	-
Cust. Type: Commercial					
Distribution	PhP/kWh	0.6098	0.4065	0.2033	-
Distribution	PhP/kW	-	73.2269	146.4538	219.6807
Supply	PhP/kWh	-	-	-	
Supply	PhP/Cust/Mo	37.9100	39.5801	41.2502	42.9203
Metering	PhP/Meter/Mo	33.8400	34.5410	35.2420	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1141)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(3.5898)	-	-	-
Cust. Type: Public Building					
Distribution	PhP/kWh	0.5335	0.3557	0.1778	-
Distribution	PhP/kW	-	73.2269	146.4538	219.6807
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	38.1900	39.7668	41.3435	42.9203
Metering	PhP/Meter/Mo	20.8100	25.8544	30.8987	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1022)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(2.4282)	-	-	-

16. It submits that the implementation of the proposed rates would be to the best interest of its consumers as it will have the additional funds necessary for its operations, so that it could improve its facilities and be able to deliver more efficient, reliable and quality service to its consumers. Further, it has chosen to implement the DSM in three (3) installments to mitigate the effect of the adjustment towards the initial tariff; and

17. It prays that the new rate schedule, as shown below, be approved by the Commission and that it be provisionally authorized to implement the said rates pending hearing and final evaluation of the instant application:

New Rate Schedule

TYPE OF CUSTOMERS	UNITS	PROPOSED RATE			
		Distribution	Supply	Metering	MCC
RESIDENTIAL	PhP/kWh	0.5782	0.6001	0.4326	0.2904
	PhP/meter/mo	-	-	5.0000	-
LOW VOLTAGE	PhP/kWh	0.7595	-	-	0.2904
	PhP/cust/mo	-	42.9203	-	-
	PhP/meter/mo	-	-	35.9431	-
HIGHER VOLTAGE	PhP/kWh	-	-	-	0.2904
	PhP/kW	219.6807	-	-	-
	PhP/cust/mo	-	42.9203	-	-
	PhP/meter/mo	-	-	35.9431	-

On November 17, 2010, COTELCO filed a "Manifestation with Urgent Motion for Resolution of Application".

Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated February 21, 2011, were issued setting the same for jurisdictional hearing on March 11, 2011.

COTELCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It was also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearing thereon.

the Order and the attached Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the aforesaid hearing.

Likewise, the Office of the Provincial Governor of North Cotabato and the Offices of the Mayors of the City/Municipalities within COTELCO's franchise area were furnished with copies of the Order and Notice of Public Hearing, for the appropriate posting thereof on their respective bulletin boards.

On March 7, 2011, COTELCO filed its "Pre-trial Brief".

During the March 11, 2011 hearing, COTELCO appeared. Ms. Vilma Gonzales, representing the Bantay-Konsumo group and Atty. Alexander Yarra, Mr. Lauro Taynan and Mr. Oscar Tejada, all member-consumers of COTELCO, appeared as intervenors.

At the said hearing, COTELCO presented its proofs of compliance with the Commission's posting and publication of notice requirements which were marked as Exhibits "A" to "EE-1", inclusive.

Thereafter, COTELCO made an expository presentation of its application. The intervenors propounded clarificatory questions relative to the instant application. Then the pre-trial conference ensued.

The intervenors moved for the resetting of the hearing in view of the voluminous documents they needed to review to intelligently cross-examine the witnesses. Said motion was granted.

On March 28, 2011, the Commission issued an Order setting the case for hearing on April 14, 2011.

On March 29, 2011, the intervenors filed their "Motion to Intervene with Answer in Intervention, Opposition to the Prayer for a Provisional Authority and Counter Application for a Reduction of Rates".

During the April 14, 2011 hearing, intervenors filed their "Pre-trial brief". Hence, another pre-trial conference was conducted to give way to their intervention. Thereafter, COTELCO presented Mr. Joel De Guzman, Chief of its Corporate Planning Division, who testified, among others, on the financial status of COTELCO, the preparation of its compliance with the Commission's Resolution No. 20, Series of 2009 (Rules for Setting Electric Cooperatives' Wheeling Rates) and other matters relevant to the instant application.

At the termination of the direct examination of the said witness, intervenors conducted their cross-examinations. The Commission, then, propounded clarificatory questions.

Intervenors moved that a Sub-poena Ad Testificandum and Duces Tecum be issued on some of the officers of COTELCO. Said motion was granted.

On April 18, 2011, COTELCO filed its "Formal Offer of Evidence".

On May 2, 2011, intervenors filed their "Compliance" and "Ex-Parte Motion to Issue Subpoena".

On May 16, 2011, the Commission issued an Order setting the case for hearings on May 25 and 26, 2011.

On May 18, 2011, the Commission issued a Subpoena Order.

During the hearing on May 25, 2011, intervenors filed their "Comments and Opposition to Applicant's Offer of Exhibits". Thereafter, they presented the following as their hostile witnesses: a) Mr. Samuel Dapon – COTELCO's Board Treasurer; b) Engr. Godofredo Homez, COTELCO's newly-appointed General Manager; c) Ms. Rennei Banzon- COTELCO's Internal Auditor; and d) Mr. Rodolfo Cabilles, Jr. – COTELCO's Chairman of the Board of Directors. At the termination of the direct examinations of the said witnesses, the Commission propounded clarificatory questions. Intervenors, then, moved that they be allowed to present as additional hostile witness the Finance Manager of COTELCO. Considering that the said Finance Manager was not around, the Commission directed the intervenors to submit written interrogatories, within fifteen (15) days from said date of hearing.

On July 8, 2011, intervenors filed their "Submission of Oppositions of the Honorable Sangguniang Panlalawigan of the Province of North Cotabato and the Honorable Sangguniang Bayan of the Municipality of Magpet" and "Formal Offer of Evidence with Written Interrogatories".

On July 18, 2011, COTELCO filed its "Comment".

The "Formal Offer of Evidence" filed by COTELCO on April 18, 2011 and the "Formal Offer of Evidence with Written Interrogatories" filed by intervenors on July 8, 2011 are hereby admitted for being relevant and material to the resolution of this case.

On the other hand, the questions propounded in the written interrogatories submitted by the intervenors are deemed not relevant in this case.

DISCUSSION

The Commission promulgated Resolution No. 20, Series of 2009, entitled *"A Resolution Adopting the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)"* on September 23, 2009. The Commission sees the need to establish a new rate-setting methodology for on-grid ECs considering that their current rates, under a cash flow rate-setting methodology, are no longer responsive inasmuch as the costs of providing electric service to the consumers increased significantly from the time their rates were determined by the Commission based on *2000* test year. The regulatory framework as embodied in the RSEC-WR seeks to encourage efficiency in the operations of the ECs, to provide incentives for their good performance and to ease regulatory burden by addressing the regulatory lag in the cash flow rate-setting methodology.

I. Classification of Electric Cooperatives (ECs)

The RSEC-WR classified the on-grid ECs into seven (7) groups based on characteristics or variables which have the most impact on their total operating distribution costs and operating distribution costs per kWh, namely: 1) size (number of customers); and 2) consumption (MWH sales per customer). In making such classification, the Commission used the data, which were submitted by the ECs, on their

respective operating distribution costs (Operations and Maintenance Expenses, Customer Expenses and General and Administrative Expenses) for the years 2001 to 2006 and the average adjusted unbundled rates (Reinvestment Fund and Debt Service).

Shown below are the number of ECs in a group and the characteristics used in the classification:

GROUP	NO. OF ECs	Group Characteristics	
		Customer Consumption (MWH per year)	Size (No. of Customers, in Thousand)
A	11	<1	10 to 25
B	16	<1	25 to 50
C	5	<1	50 to 100
D	17	1 to 2	10 to 50
E	28	1 to 2	50 to 100
F	15	1 to 3	20 to 150
G	6	3 to 5	30 to 150

COTELCO's consumption per year (MWH sales per customer) is 1.4263 MWH and the number of its customers is 61,596. Inasmuch as its consumption is between 1 to 2 MWH and the number of its customers is within the range of 50 to 100 thousand, it is categorized under Group E.

II. Development of the Initial Tariff

Under the RSEC-WR, there will be transition from the current tariff under the cash flow rate-setting methodology towards the Initial Tariff. Such Initial Tariff consists of the Distribution, Supply and Metering (DSM) Charges (operating cost) and MCC [now the Reinvestment Fund for Sustainable Capital Expenditures or RSFC] (capital cost).

Operating Cost

The operating cost per kWh as of 2000 for DSM of each EC was adjusted to 2008 using the average rate of increase in minimum wages for the period 2001 to 2006 of 5.12%. The wage index was used since DSM cost is seventy percent (70%) labor. Thereafter, the 2008 Median for EC's operating costs was determined.

Members' Contribution for Capital Expenditure (MCC) Now the Reinvestment Fund for Sustainable Capital Expenditures (RSFC)

The EC's current tariff includes a reinvestment fund provision calculated at five percent (5%) of its unbundled retail rate (inclusive of generation, transmission, and distribution charges) as part of its Rate Unbundling Decision. This translates to an average of twenty-two percent (22%) of the ninety-eight (98) ECs' operation and maintenance expenses for 2006. The MCC or the RFSC Rate Cap was determined by applying the twenty-two percent (22%) to the respective group's 2008 Median operating costs per kWh which was the basis for the ECs' operating revenue requirements (ORR).

An appropriate level of operating cost and RFSC rate cap was set for each group, as follows:

GROUP	2008 LEVEL MEDIAN, PhP/kWh	RFSC at 22 % PhP/kWh
A	2.4200	0.5324
B	1.8200	0.4004
C	1.6800	0.3696
D	1.1400	0.2508
E	1.3200	0.2904
F	0.9900	0.2178
G	0.6900	0.1518

The ORR (operating cost) per group was functionalized (assigned to DSM functions) using the ratio of each group's DSM costs to the total costs as determined in the Unbundling Decision. The functionalized ORR was allocated into customer classes using a factor based on the causation principle. The allocation factors utilized were the group's Non-Coincident Peak (NCP) Demand Ratio for Distribution and the Number of Customers Ratio for Supply and Metering. The allocated functionalized ORR of each customer class was translated into DSM rate caps.

On July 6, 2011, the Commission issued Resolution No. 14, Series of 2011, entitled "A Resolution Modifying the Terms Members' Contribution for Capital Expenditures (MCC) to Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and MCC- Real Property Tax (RPT) to Provision for RPT as Provided in the Rules for Setting Electric Cooperatives Wheeling Rates (RSEC- WR)".

III. Development of New Customer Classes

The new customer classes under the RSEC-WR are based on the power service delivery voltage used in serving the customers. The Commission deems the new customer segmentation as fair and reasonable as it allows a justifiable allocation of costs and is consistent with cost of service principle. Shown below are the new customer classes:

NEW CUSTOMER SEGMENTATION	
1. Residential Customers	End-users that are registered as Residential customers
2. Low Voltage Customers	End-users that are non-residential and connected to Low Voltage or LV (not exceeding 1 kV)
3. Higher Voltage Customers	End-users that are non-residential and connected to Medium Voltage or MV (a voltage level exceeding 1 kV up to 34.5 kV) or High Voltage or HV (a voltage level exceeding 34.5 kV)

IV. Proposed Transition Rates

The initial DSM rate caps and the MCC (now the RFSC) rate caps for each group having been determined, COTELCO filed the instant application for approval of its proposed transition rates, as shown below:

Proposed Transition Rates

PARTICULARS	Unit/s	Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		**1.0000**	**0.3333**	**0.3333**	**0.3333**
RESIDENTIAL					
Cust. Type: Residential					
Distribution	PhP/kWh	1.1831	0.9815	0.7798	0.5782
Supply	PhP/kWh	0.5833	0.5889	0.5945	0.6001
Metering	PhP/Meter/Mo	5.0000	5.0000	5.0000	5.0000
Metering	PhP/kWh	0.2455	0.3079	0.3702	0.4326
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.2487)	-	-	-
LOW VOLTAGE					
Cust. Type: Commercial					
Distribution	PhP/kWh	0.6098	0.6597	0.7096	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	37.9100	39.5801	41.2502	42.9203
Metering	PhP/Meter/Mo	33.8400	34.5410	35.2420	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1141)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(3.5898)	-	-	-

(This space is intentionally left blank)

PARTICULARS	Unit/s	Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
LOW VOLTAGE					
Cust. Type: Industrial					
Distribution	PhP/kWh	0.1368	0.3444	0.5519	0.7595
Distribution	PhP/kW	18.7000	12.4667	6.2333	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	43.7000	43.4401	43.1802	42.9203
Metering	PhP/Meter/Mo	550.7700	379.1610	207.5520	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.0584)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(49.6741)	-	-	-
Cust. Type: Public Building					
Distribution	PhP/kWh	0.5335	0.6088	0.6842	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	38.1900	39.7668	41.3435	42.9203
Metering	PhP/Meter/Mo	20.8100	25.8544	30.8987	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1022)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(2.4282)	-	-	-
Cust. Type: Street Lights					
Distribution	PhP/kWh	2.5715	1.9675	1.3635	0.7595
Distribution	PhP/kW	-	-	-	-
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	37.5000	39.3068	41.1135	42.9203
Metering	PhP/Meter/Mo	-	11.9810	23.9620	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.6406)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(0.5733)	-	-	-
HIGHER VOLTAGE					
Cust. Type: Industrial					
Distribution	PhP/kWh	0.1368	0.0912	0.0456	-
Distribution	PhP/kW	18.7000	85.6936	152.6871	219.6807
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	43.7000	43.4401	43.1802	42.9203
Metering	PhP/Meter/Mo	550.7700	379.1610	207.5520	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.0584)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(49.6741)	-	-	-
Cust. Type: Commercial					
Distribution	PhP/kWh	0.6098	0.4065	0.2033	-
Distribution	PhP/kW	-	73.2269	146.4538	219.6807
Supply	PhP/kWh	-	-	-	
Supply	PhP/Cust/Mo	37.9100	39.5801	41.2502	42.9203
Metering	PhP/Meter/Mo	33.8400	34.5410	35.2420	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1141)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(3.5898)	-	-	-
Cust. Type: Public Building					
Distribution	PhP/kWh	0.5335	0.3557	0.1778	-
Distribution	PhP/kW	-	73.2269	146.4538	219.6807
Supply	PhP/kWh	-	-	-	-
Supply	PhP/Cust/Mo	38.1900	39.7668	41.3435	42.9203
Metering	PhP/Meter/Mo	20.8100	25.8544	30.8987	35.9431
Metering	PhP/kWh	-	-	-	-
MCC	PhP/kWh	-	0.2904	0.2904	0.2904
Final Loan Condonation	PhP/kWh	(0.1022)	-	-	-
Final Loan Condonation	PhP/Cust/Mo	(2.4282)	-	-	-

COTELCO proposed a 1/3 phasing of its DSM rates towards the Initial Tariff and a one-time implementation of its RFSC rate to provide it with the necessary funds for its CAPEX projects.

V. Final Transition Rates Schedule

COTELCO will start implementing its revised rates based on RSEC-WR in January 2011 and its transition shall end on December 2013. It should be underscored that implementation of its transition rates coincides with the first regulatory year of the Tariff Glide Path (TGP). It shall be grouped with the Third Entrant Group and shall file an application for its first rate adjustment under the TGP Rules on or before April 30, 2015. In addition, COTELCO is required to submit all the data requirements starting January 2012 onwards.

A thorough review and evaluation of the instant application showed that the implementation of the Final Transition Rates Schedule, as shown below, will benefit COTELCO's consumers in terms of a more reliable, efficient and quality electric service:

WHEREFORE, the foregoing premises considered, the application for approval of an adjustment in rates under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) filed by Cotabato Electric Cooperative, Inc. (COTELCO) on August 31, 2010 is hereby **APPROVED WITH MODIFICATION**.

Accordingly, COTELCO is hereby directed to adopt the Final Transition Rates to be implemented effective its January 2011 to December 2013 billing periods and to submit its proposal for the implementation of any over/under recovery as a result of the charging of the rates herein authorized.

Final Rate Schedule

Start of Transition January 2011 to December 2011

New Customer Classes		Residential	LOW VOLTAGE				HIGHER VOLTAGE		
Current Customer Class		Residential	Commercial	Public Building	Street Lights	Industrial	Industrial	Commercial	Public Building
Distribution Charges:									
Demand Charge	PhP/kW	-	-	-	-	12.4700	85.6900	73.2300	73.2300
Distribution System Charge	PhP/kWh	0.9815	0.6597	0.6088	1.9675	0.3444	0.0912	0.4065	0.3557
Supply Charges:									
Retail Customer Charge	PhP/cust/mo	-	39.5800	39.7700	39.3100	43.4400	43.4400	39.5800	39.7700
Supply System Charge	PhP/kWh	0.5889	-	-	-	-	-	-	-
Metering Charges:									
Retail Customer Charge	PhP/meter/mo	5.0000	34.5400	25.8500	11.9800	379.1600	379.1600	34.5400	25.8500
Metering System Charge	PhP/kWh	0.3079	-	-	-	-	-	-	-
RFSC	PhP/kWh	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904

End of year 1 January 2012 to December 2012

New Customer Classes		Residential	LOW VOLTAGE				HIGHER VOLTAGE		
Current Customer Class		Residential	Commercial	Public Building	Street Lights	Industrial	Industrial	Commercial	Public Building
Distribution Charges:									
Demand Charge	PhP/kW	-	-	-	-	6.2300	152.6900	146.4500	146.4500
Distribution System Charge	PhP/kWh	0.7798	0.7096	0.6842	1.3635	0.5519	0.0456	0.2033	0.1778
Supply Charges:									
Retail Customer Charge	PhP/cust/mo	-	41.2500	41.3400	41.1100	43.1800	43.1800	41.2500	41.3400
Supply System Charge	PhP/kWh	0.5945	-	-	-	-	-	-	-
Metering Charges:									
Retail Customer Charge	PhP/meter/mo	5.0000	35.2400	30.9000	23.9600	207.5500	207.5500	35.2400	30.9000
Metering System Charge	PhP/kWh	0.3702	-	-	-	-	-	-	-
RFSC	PhP/kWh	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904

End of Transition January 2013 to December 2013

New Customer Classes		Residential	LOW VOLTAGE				HIGHER VOLTAGE		
Current Customer Class		Residential	Commercial	Public Building	Street Lights	Industrial	Industrial	Commercial	Public Building
Distribution Charges:									
Demand Charge	PhP/kW	-	-	-	-	-	219.6800	219.6800	219.6800
Distribution System Charge	PhP/kWh	0.5782	0.7595	0.7595	0.7595	0.7595	-	-	-
Supply Charges:									
Retail Customer Charge	PhP/cust/mo	-	42.9200	42.9200	42.9200	42.9200	42.9200	42.9200	42.9200
Supply System Charge	PhP/kWh	0.6001	-	-	-	-	-	-	-
Metering Charges:									
Retail Customer Charge	PhP/meter/mo	5.0000	35.9400	35.9400	35.9400	35.9400	35.9400	35.9400	35.9400
Metering System Charge	PhP/kWh	0.4326	-	-	-	-	-	-	-
RFSC	PhP/kWh	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904

SO ORDERED.

Pasig City, October 17, 2011.

ZENAIDA G. CRUZ-DUCUT
Chairperson

MARIA TERESA A.R. CASTAÑEDA
Commissioner

JOSE C. REYES
Commissioner

ALFREDO J. NON
Commissioner

GLORIA VICTORIA C. YAP-TARUC
Commissioner

rmm/glo/njs/cotelco decision

Copy Furnished:

1. **ATTY. ALAN C. GAVIOLA**
   A.C. Gaviola Law Office
   Counsel for COTELCO
   Room 203, 2/F Crown Plaza Bldg.,
   3rd Ave., North Reclamation Area, Cebu City

2. The General Manager
   Cotabato Electric Cooperative, Inc. (COTELCO)
   Manubuan, Matalam, Cotabato City

3. Office of the Solicitor General
   134 Amorsolo Street, Legaspi Village
   Makati City, Metro Manila

4. Commission on Audit
   Commonwealth Avenue
   Quezon City, Metro Manila

5. Senate Committee on Energy
   GSIS Bldg. Roxas Blvd., Pasay City
   Metro Manila

6. House Committee on Energy
   Batasan Hills, Quezon City, Metro Manila

7. Office of the Provincial Governor
   Province of North Cotabato

8. Office of the City Mayor
   City of Kidapawan
   Province of North Cotabato

9. Office of the Municipal Mayor
   Municipality of Makilala
   Province of North Cotabato

10. Office of the Municipal Mayor
    Municipality of Kabakan
    Province of North Cotabato

11. Office of the Municipal Mayor
    Municipality of Carmen
    Province of North Cotabato

12. Office of the Municipal Mayor
    Municipality of Mlang
    Province of North Cotabato

13. Office of the Municipal Mayor
    Municipality of Tulunan
    Province of North Cotabato

14. Office of the Municipal Mayor
Municipality of Matalam
Province of North Cotabato

15. Office of the Municipal Mayor
Municipality of Pres. Roxas
Province of North Cotabato

16. Office of the Municipal Mayor
Municipality of Magpet
Province of North Cotabato

17. Office of the Municipal Mayor
Municipality of Antipas
Province of North Cotabato

18. Office of the Municipal Mayor
Municipality of Arakan
Province of North Cotabato

19. Office of the Municipal Mayor
Municipality of Banilisan
Province of North Cotabato

20. Mr. Clint Django Pacana
Executive Director
Association of Mindanao Rural Electric Cooperative
Door #5, RS Building, Macajalar Street, Camaman-an
9000 Cagayan de Oro City

21. Judge Alexander B. Yarra
5TH Branch MCTC, Pigcawayan, Cotabato

22. Hon. Lauro Taynan
c/o Sangguniang Panglungsod
Kidapawan City

23. Hon. Jose I. Tejada
c/o Sangguniang Panlalawigan
Provincial Capitol Bldg., Amas, Kidapawan

24. Ms. Vilma Gonzales
Gabriela Kidapawan Chapter
Poblacion, Kidapawan

25. Ms. Ruby Padilla Sison
Gabriela Kidapawan Chapter
Poblacion, Kidapawan

26. Mr. Edgardo G. Lacson
President
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City