

**Republic of the Philippines**  
**ENERGY REGULATORY COMMISSION**  
**Pacific Center Building, San Miguel Avenue**  
**Pasig City, Metro Manila**

**IN THE MATTER OF THE APPLICATION  
FOR APPROVAL OF THE OVER-ALL  
TARIFF ADJUSTMENT/ RATE INCREASE,  
WITH PRAYER FOR ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. \_\_\_\_\_**

**SOUTH COTABATO I ELECTRIC  
COOPERATIVE, INC. (SOCOTECO I)**

**Applicant,**

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**A P P L I C A T I O N**

APPLICANT **South Cotabato I Electric Cooperative, Inc. or SOCOTECO I** for brevity, through the undersigned counsel, and to this Honorable Commission, most respectfully states:

1. SOCOTECO I is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office address at **Brgy. Paraiso, Koronadal City, South Cotabato**, represented in this instance by its General Manager, **SANTIAGO C. TUDIO**. SOCOTECO I is the holder of an exclusive franchise issued by the National Electrification Commission (NEA) to operate an electric light and power distribution services in the City of Koronadal, Municipalities of Tampakan, Tantangan, Banga, Surallah, Lake Sebu, T'boli, Sto. Niño and Norala all in the Province of South Cotabato and Municipality of Lutayan in the Province of Sultan Kudarat;
2. SOCOTECO I has prepared its proposed rate adjustment in accordance with the specific provisions of Republic Act No. 9136 and the implementing guidelines issued by the Honorable Commission in conformity with the Implementing Rules and Guidelines on pre-filing requirements. The application submitted made use of the model computation prescribed by the Honorable Commission using year **2006** as the test year. And as such, SOCOTECO I requests from this Honorable Commission the approval of its proposed

tariff or rate adjustment per customer class relative to distribution, supply, and metering charges as presented below:

**Table I. Comparison of Proposed & Existing Rates**

Customer Class	Proposed Rates	Existing Rates	Difference
<b>Residential</b>			
Distribution (Peso/kWh)	1.0599	0.6398	0.4201
Supply (PhP/kWh)	0.3313	0.3525	(0.0212)
Metering (Peso/kWh)	0.4014	0.2925	0.1089
Metering (Peso/Meter/Mo.)	5.0000	5.0000	0.0000
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.1813)	0.1813
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	0.0000	0.0000
<b>Total Peso/kWh</b>	<b>1.7925</b>	<b>1.1035</b>	<b>0.6890</b>
<b>Total Peso/Cust/Mo.</b>	<b>5.0000</b>	<b>5.0000</b>	<b>0.0000</b>
<b>Average Peso/kWh distribution system rate</b>	<b>1.8450</b>	<b>1.1559</b>	<b>0.6890</b>
<b>Commercial- Small</b>			
Distribution (Peso/kWh)	0.3859	0.4453	(0.0594)
Supply (Peso/Cust/Mo.)	32.65	33.63	(0.98 )
Metering (Peso/Meter/Mo)	58.47	44.09	14.38
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.0976)	0.0976
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	(3.1220)	3.1220
<b>Total Peso/kWh</b>	<b>0.3859</b>	<b>0.3474</b>	<b>0.0385</b>
<b>Total Peso/Cust/Mo.</b>	<b>91.16</b>	<b>74.60</b>	<b>16.52</b>
<b>Average Peso/kWh distribution system rate</b>	<b>0.6018</b>	<b>0.5241</b>	<b>0.0776</b>
<b>Commercial- Large</b>			
Distribution (Peso/kWh)	0.0747	0.4453	(0.3706)
Supply (Peso/Cust/Mo.)	1,135.56	33.63	1,101.93
Metering (Peso/Meter/Mo)	2,151.59	44.09	2,107.50
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.0976)	0.0976
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	(3.1220)	3.1220
<b>Total Peso/kWh</b>	<b>0.0747</b>	<b>0.3474</b>	<b>(0.2727)</b>
<b>Total Peso/Cust/Mo.</b>	<b>3,287.15</b>	<b>74.59</b>	<b>3,212.56</b>
<b>Average Peso/kWh distribution system rate</b>	<b>0.0844</b>	<b>0.3476</b>	<b>(0.2632)</b>
<b>Industrial</b>			
Distribution (Peso/kWh)	0.1115	0.2667	(0.1552)
Distribution Demand Charge (Peso/kW)	14.00	11.00	3.00
Supply (Peso/Cust/Mo.)	55.17	33.81	21.36
Metering (Peso/Meter/Mo)	2,151.59	602.51	1,549.08
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.0734)	0.0734
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	(35.1889)	35.1889
<b>Total Peso/kWh</b>	<b>0.1115</b>	<b>0.2667</b>	<b>(0.0818)</b>
<b>Total Peso/kW</b>	<b>14.00</b>	<b>11.00</b>	<b>3.00</b>
<b>Total Peso/Cust/Mo.</b>	<b>2,206.76</b>	<b>601.13</b>	<b>1,605.63</b>
<b>Average Peso/kWh distribution system rate</b>	<b>0.5268</b>	<b>0.3648</b>	<b>0.1620</b>
<b>Public Building</b>			
Distribution (Peso/kWh)	0.3493	0.4365	(0.0872)
Supply (Peso/Cust/Mo)	32.92	33.64	(0.72)
Metering (Peso/Meter/Mo)	43.27	32.86	10.41
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.0952)	0.0952
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	(2.4772)	2.4772
<b>Total Peso/kWh</b>	<b>0.3493</b>	<b>0.3413</b>	<b>0.0080</b>
<b>Total Peso/Cust/Mo</b>	<b>76.19</b>	<b>64.02</b>	<b>12.16</b>
<b>Average Peso/kWh distribution system rate</b>	<b>0.5000</b>	<b>0.4679</b>	<b>0.0321</b>
<b>Street Lights</b>			
Distribution (Peso/kWh)	2.6551	1.8735	0.7816
Supply (Peso/Cust/Mo)	31.39	19.46	11.93
Metering (Peso/Meter/Mo)	0.0000	0.0000	0.0000
Rate Reduction – Loan Condo (PhP/kWh)	0.0000	(0.6840)	0.6840
Rate Reduction - Loan Condo (Peso/Cust/Mo.)	0.0000	0.0000	0.0000
<b>Total Peso/kWh</b>	<b>2.6551</b>	<b>1.8735</b>	<b>1.4656</b>
<b>Total Peso/Cust/Mo.</b>	<b>31.39</b>	<b>19.46</b>	<b>11.93</b>
<b>Average Peso/kWh- distribution system rate</b>	<b>3.5227</b>	<b>1.7274</b>	<b>1.7953</b>

3. On December 26, 2001, SOCOTECO I filed with the Honorable Commission an application for the unbundling of rates docketed as ERC Case No. 2001-968 in compliance with the provision of Republic Act No. 9136 requiring every Distribution Utility to unbundle its rates, and prayed for an overall average tariff adjustment of PhP 0.3234 per kWh. In a Decision dated August 25, 2003, the Honorable Commission approved SOCOTECO I's application for the Unbundling of Rates with an overall average tariff adjustment of PhP0.1572 per kWh. However, the present unbundled rates of SOCOTECO I as approved by the Honorable Commission are no longer sufficient to raise revenue to meet the increase in revenue requirements and other expenses, as follows:

3.a. Increase in payroll expense based on the SOCOTECO I's salary scheme approved by NEA on April 2006;

3.b. Inclusion of debt service (amortization), representing loans acquired after loan condonation;

3.c. Inclusion of the Annual Real Property Tax amounting to P3.4 million;

3.d. Annual retirement contribution requirements amounting to P6.4 million which is based on the 2005 Actuarial Valuation Report; and

3.e. Increase in other operating cost or revenue items.

3.f. Likewise, there is a need to further classify commercial consumers into small and large categories. The large commercial consumers constitute the three (3) shopping malls existing in our coverage area namely: Fitmart Mall, KCC, and Ace Centerpoint. The profiles of these large commercial consumers are not the same as all the other commercial consumers. This is also to eliminate subsidies between such consumers because the costs associated with large commercial consumers, which are primarily metered tapping from primary lines at 13.2 KV, are different from small consumers tapping from low 220 voltage distribution transformers.

Due to the foregoing reasons, SOCOTECO I is constrained to apply and petition to secure the approval of the Honorable Commission for an over-all tariff adjustment in order to realize SOCOTECO I's needed revenue.

Based on the financial data and billing determinants for the test year 2006, SOCOTECO I

arrived at the revenue requirements for the different customer classes based on the distribution system cost components of SOCOTECO I, as follows:

**Table II. Comparison of Revenue Requirement**

Customer Class	Billing Determinants		Existing Rates	Existing Revenues	Proposed Rates	Proposed Revenues
	No. of kWh/kW Sales	No. of Customers				
<b>Residential</b>	59,400,278	51,923				
Distribution (Peso/kWh)			0.6398	38,004,298	1.0599	62,957,317
Supply (Peso/kWh)			0.3525	20,938,598	0.3313	19,677,921
Metering (Peso/kWh)			0.2925	17,374,581	0.4014	23,842,480
Metering (Peso/Meter/Mo)			5.0000	3,115,380	5.0000	3,115,380
Rate Reduction-Loan Condo/kWh			(0.1813)	(10,769,270)	0.0000	-
<b>Total</b>	<b>59,400,278</b>	<b>51,923</b>		<b>68,663,587</b>		<b>109,593,097</b>
<b>Commercial- Small</b>	27,496,054	5,429				
Distribution (Peso/kWh)			0.4453	12,243,993	0.3859	10,610,505
Supply (Peso/Cust./Mo.)			33.63	2,190,927	32.65	2,126,988
Metering (Peso/Meter/Mo)			44.09	2,872,375	58.47	3,809,024
Rate Reduction-Loan Condo/kWh			(0.0976)	(2,691,864)	0.0000	-
Rate Reduction-Loan Condo/cust			(3.1220)	(203,392)	0.0000	-
<b>Total</b>	<b>27,496,054</b>	<b>5,429</b>		<b>14,412,040</b>		<b>16,546,517</b>
<b>Commercial- Large</b>	12,176,999	3				
Distribution (Peso/kWh)			0.4453	5,422,418	0.0747	909,700
Supply (Peso/Cust./Mo.)			33.63	1,210	1,135.56	40,880
Metering (Peso/Meter/Mo)			44.09	1,587	2,151.59	77,457
Rate Reduction-Loan Condo/kWh			(0.0976)	(1,192,128)	0.0000	-
Rate Reduction-Loan Condo/cust			(3.1220)	(112.39)	0.0000	-
<b>Total</b>	<b>12,176,999</b>	<b>3</b>		<b>4,232,975</b>		<b>1,028,038</b>
<b>Industrial</b>	10,364,048	118				
Distribution (Peso/kWh)			0.2667	2,764,092	0.1115	1,155,788
Distribution Demand (PhP/kW)			11.00	926,480	14.00	1,179,156
Supply (PhP/Cust/Mo)			33.81	47,874	55.17	78,115
Metering (Peso/Meter/Mo)			602.51	853,154	2,151.59	3,046,658
Rate Reduction-Loan Condo/kWh			(0.0734)	(760,721)	0.0000	-
Rate Reduction-Loan Condo/cust	(35.1889)	(49,827)	0.0000	-		
<b>Total</b>	<b>10,364,048</b>	<b>118</b>		<b>3,781,052</b>		<b>5,459,717</b>
<b>Public Building</b>	7,431,068	1,225				
Distribution (Peso/kWh)			0.4365	3,243,661	0.3493	2,595,953
Supply (Peso/Cust/Mo)			33.64	494,508	32.92	483,939
Metering (Peso/Meter/Mo)			32.86	483,042	43.27	636,007
Rate Reduction-Loan Condo/kWh			(0.0952)	(707,438)	0.0000	-
Rate Reduction-Loan Condo/cust			(2.4772)	(36,414)	0.0000	-
<b>Total</b>	<b>7,431,068</b>	<b>1,225</b>		<b>3,477,359</b>		<b>3,715,899</b>
<b>Street Lights</b>	345,130	795				
Distribution (Peso/kWh)			1.8735	646,600	2.6551	916,356
Supply (Peso/Cust/Mo)			19.46	185,648	31.39	299,449
Metering (Peso/Meter/Mo)			0.0000	-	0.0000	-
Rate Reduction-Loan Condo/kWh			(0.6840)	(236,069)	0.0000	-
Rate Reduction-Loan Condo/cust			0.0000	-	0.0000	-
<b>Total</b>	<b>345,130</b>	<b>795</b>		<b>596,180</b>		<b>1,215,805</b>
Total Billing Determinants	<b>117,213,577</b>	<b>59,493</b>				
Total Revenue Requirement				<b>95,163,192</b>		<b>137,559,072</b>
Differences in Revenues						<b>42,395,880</b>
Average Peso/kWh rate				<b>0.8119</b>		<b>1.1736</b>
Difference in Average rate						<b>.3617</b>

4. In accordance with the abovementioned proposed revenue and rates, SOCOTECO I is seeking the immediate approval of the proposed revenue requirements per cost component as shown below:

**Table III. Revenue requirement per Cost Component**

Particulars	PROPOSED REVENUE REQUIREMENT		
	Total Company (1) (PhP)	Electric Adjust. (2) (PhP)	Proposed Revenue Requirement (3) (1) + (2) (PhP)
Payroll	44,435,030	-	44,435,030
Operation & Maintenance (less Fuel, PP, and Payroll)	48,400,446	7,780,930	56,181,377
Elec. Coop: Debt Service	6,622,932	2,449,256	9,072,188
Less: Other Revenue Items	4,236,319	-	4,236,319
Plus percentage for cooperative investment (0%)	32,106,797	-	32,106,797
<b>Total Revenue Requirement</b>	<b>127,328,886</b>	<b>10,230,186</b>	<b>137,559,072</b>

- 4.a The adjustment/increase in the revenue requirement for Operations and Maintenance was caused by the inclusion of the real property taxes imposed by the Local Government Units in the amount of PhP3,488,422 increase in retirement contributions based on the 2005 actuarial valuation amounting to PhP3,645,183 and PhP647,325 to cover for the normalization of benefits and allowances for the Board of Directors for unfilled positions as well as increased number of districts as approved the General Assembly and NEA.
- 4.b The Debt Service represents the amortization for loans which are not part of the loans condoned by PSALM, and are still due for payment to NEA as of December 31, 2006 with adjustments that include a loan maturing in 2007 and a loan acquired in 2007;
- 4.c The annual amortization applied for under the Debt Service and supported by NEA Loan profile as of December 31, 2006 are as follows:

<u>Name of Loan</u>	<u>Quarterly Amortization</u>	<u>Annual Amortization</u>
HQ Loans	PhP 70,729	PhP 282,916
Re-loan C	237,979	951,916
EFSEC	373,948	1,495,792
SDSL	973,077	3,892,308
Total	PhP 1,655,733	PhP 6,622,932
Adjustments		
EFSEC	(373,948)	(1,495,792)
SDSL	986,262	3,945,048
Total Adjusted	2,268,047	9,072,188

- 4.d Based on the provisions of the unbundling of rates, 50% of the revenue earned from the use of asset-related properties of the electric cooperative shall be shared between the utility and its consumers. SOCOTECO I complies with the said provision and has proposed to share with the consumers the amount of PhP 4,236,319 which represent 50% of Other Revenue Items to be deducted from the proposed revenue requirement;
- 4.e SOCOTECO I has fully energized all the barangays and commits to continuously energize other un-energized sitios located in the far-flung areas. This undertaking shall require a substantial investment with no fair return to expect since actual survey shows an initial connection of purely small residential consumers.
- 4.f SOCOTECO I having been in operation for the last thirty eight (38) years, is focusing more on replacements of poles and meters, rehabilitations and major repairs on installed distribution lines and appurtenances to improve and provide a more reliable distribution network.
- 4.g SOCOTECO I in its continuous pursuit to reduce its system loss by aggressively putting preventive measures against pilferage, such as transfer of meters to the poles, increase in the number of field meter calibration in accordance with the frequency prescribed by the DSOAR, and replacement of rotten poles and over loaded transformers. These system loss reduction measures also require a considerable amount of investment in order to attain an acceptable level of system loss. The proposed revenue in this application shall be used to cover the aforementioned undertakings and its five per cent (5%) of the proposed revenue requirement.

5. Based on the actual kWh sales and number of consumer class from the audited financial statement and statistical information for the test year **2006**, billing determinants and allocation factors used , SOCOTECO I arrived at the functionalized and allocated cost to the different consumer classes, the resulting Summary of Revenue are as follows:

**Table IV. Revenue Summary per Customer Class & Function**

Class	Total Revenue	Distribution Related Revenue	Supply Related Revenue	Metering Related Revenue
Residential	109,593,097	62,957,317	19,677,921	26,957,860
Commercial- Small	16,546,517	10,610,505	2,126,988	3,809,024
Commercial- Large	1,028,038	909,700	40,880	77,457
Industrial	5,459,717	2,334,943	78,115	3,046,658
Public Building	3,715,899	2,595,953	483,939	636,007
Street Lights	1,215,805	916,356	299,449	-
<b>TOTAL</b>	<b>137,559,072</b>	<b>80,324,774</b>	<b>22,707,291</b>	<b>34,527,007</b>

6. In compliance to Sec. 73 of Republic Act No. 9136, SOCOTECO I is also proposing a lifeline rate discount and subsidy for the marginalized end-users based on present frequency distribution of residential consumers, to wit:

Level of kWh Sales	Level of Discount
1-30 kWh	40%
31-45 kWh	30%
46-60 kWh	20%

The Cooperative proposes the amount of **Php0.0481** as subsidy rate to be applied to all types of consumers with consumption of 61 kwh and above. The rate was computed based on the distribution system rate only, so that the only factor affecting the change shall be the monthly movement of the energy (kwh) sales.

7. In compliance with the specific provisions of Republic Act No. 9136 and the implementing guidelines issued by the Honorable Commission, and in conformity with the Implementing Rules and Guidelines on pre-filing requirements, SOCOTECO I hereby submits the following, to wit:
- a. Application duly submitted to the various Local Government Units (LGU's) within its area coverage;
  - b. Certification from the Local Government Units, principally the LGU where the Main Office of applicant is located;
  - c. Affidavit of Publication from the local newspaper; and
  - d. Issues of the local newspaper;

8. In support to the revised calculation of rate adjustment, SOCOTECO I has prepared and attached the following documents in compliance with the Uniform Filing Requirements:

1. Audited Financial Statement
2. Trial Balance (Audited)
3. Working Profit and Loss
4. Notes to Working Profit and Loss
5. Debt Service
6. Debt Service Amortization
7. Other Revenue Items
8. Schedule of O & M Expenses- Variance
9. Historical Cost by Function
  - Cost by Customer — Distribution
  - Cost by Customer — Supply
  - Cost by Customer — Metering
10. Annualization
11. Functionalization Factors
12. Allocation Factors
  - Class Factors Distribution
  - Class Factors Supply
  - Class Factors Metering
13. Allocation Ratios
  - Class Ratios Distribution
  - Class Ratios Supply
  - Class Ratios Metering
14. Revenue Summary
15. Existing Revenue
16. Rate Design
17. Minimum Size Method
18. Coincident Peak/ Non-Coincident Peak
19. Actual Billing Demand
20. Frequency Distribution- Monthly
21. Frequency Distribution- Annual
22. Lifeline History
23. Lifeline Definition
24. Lifeline Proposal

all are made integral parts hereof.

## PRAYER

WHEREFORE, premises considered and in order to avoid irreparable losses which will ultimately result in the deterioration of its services, to the damage and prejudice of the public in general, and its member/consumers in particular, SOCOTECO I respectfully prays of this Honorable Commission, that:

1. Pending hearing and final approval, the herein proposed tariff adjustments per customer class of SOCOTECO I be **PROVISIONALLY APPROVED** *ex-parte* based on the submitted documents, as follows:

**Table VII. Proposed Charges per Customer Class**

CUSTOMER CLASS	Distribution Charge/kWh	Supply Charge/kWh	Supply Charge/Con/Mo.	Metering Charge/kWh	Metering Charge/Met/Mo.	Demand Charge
Residential	1.0599	0.3313	0.00	0.4014	5.00	0.00
Commercial- Small	0.3859	0.0000	32.65	0.0000	58.47	0.00
Commercial- Large	0.0747	0.0000	1,135.56	0.0000	2,151.59	0.00
Industrial	0.1115	0.0000	55.17	0.0000	2,151.59	14.00
Public Building	0.3493	0.0000	32.92	0.0000	43.27	0.00
Street Light	2.6551	0.0000	31.39	0.0000	0.00	0.00

2. And after due notice and hearing, the application for over-all tariff adjustment (increase) be **APPROVED PERMANENTLY**.

Others relief/s just and equitable under the premises are likewise prayed for.

Pasig City, Metro Manila, Philippines, 10<sup>th</sup> day of March 2008.

**DECHAVEZ BUGAYONG**  
**CONCEPCION & SAGAYO LAW OFFICES**  
*Counsel for SOCOTECO I*  
Suite 707, 7<sup>th</sup> Floor, OMM-CITRA Bldg.  
San Miguel Ave., Ortigas Center, Pasig City

By:



**ATTY. DITAS A. LERIOS-AMBOY**  
PTR No. 4336409/01-04-08/Pasig City  
IBP No. 732924/01-04-08/Rizal  
Roll No. 40628