

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

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

ERC CASE NO. 2009-091 RC

NEGROS ORIENTAL 2
ELECTRIC COOPERATIVE,
(NORECO 2)

Applicant.

x-----x

A P P L I C A T I O N

COMES NOW, applicant **NEGROS ORIENTAL 2 ELECTRIC COOPERATIVE (NORECO 2)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. NORECO 2 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 Real St., Dumaguete City, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Ephraim T. Taclob, of legal age, Filipino and with office address also at NORECO 2 Office.
2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power

service in the cities/municipalities of the Province of Negros Oriental, namely: Amlan, Bacong, Basay, Bayawan City, Dauin, Dumaguete City, Pamplona, San Jose, Siaton, Sibulan, Sta. Catalina, Tanjay City, Valencia and Zamboanguita;

3. 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 Energy Regulatory Commission (ERC) to establish a methodology for setting distribution wheeling rates;
4. By virtue of said authority, as early as 2006 the ERC embarked on a process to establish a new rate setting methodology for determining electric cooperatives’ (ECs) rates;
5. From 2006 to 2009, the ERC conducted several public consultations with the industry stakeholders to discuss the details of the new regulatory framework for fixing the electric cooperatives’ wheeling rates;
6. Said regulatory framework is now embodied in the *Rules for Setting the Electric Cooperatives’ Wheeling Rates* (RSEC-WR);
7. The regulatory framework as embodied in the RSEC-WR seeks to develop a regulatory regime that encourages efficiency in the operations of the ECs and provides incentives for their good performance. From a regulatory perspective, the framework seeks to develop a regime that eases regulatory burden and can be easily implemented and monitored;
8. NORECO 2 participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said Rules;

9. On May 6, 2009, the NORECO 2 Board of Directors passed Board Resolution No. 127-09, in support of the NAGMEC's resolution supporting the approval of ERC on the new rate setting methodology;
10. After holding another round of public consultations nationwide, particularly in the localities wherein the electric cooperatives operate, the ERC issued the final RSEC-WR on and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, NORECO 2 is categorized under Group "E";
12. As a Group "E" EC, NORECO 2'S Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 1.32;
13. Further, NORECO 2 is required to implement a new customer class, as follows:

Table 1. Existing Customer Class and New Customer Class

EXISTING CUSTOMERS	NEW CUSTOMER SEGMENTATION
Residential	Residential Customers
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Irrigation/Water System	
Industrial	Higher Voltage Customers
High Voltage	

14. After functionalizing and allocating its ORR and using the new customer class, NORECO 2's initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP E	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.5782		0.7595		219.68	
Supply	0.6001			42.92		42.92
Metering	0.4326	5.00		35.94		35.94

15. As a Group "E" EC, NORECO 2 is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP 0.2904 /kWh;

16. Considering the abovementioned rates, NORECO 2's rate caps would be as follows: 1.) DSM – PhP 1.32; and 2.) MCC – PhP 0.2904;

GROUP E	RESIDENTIAL		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	Php/kWh	PhP/Cust/Mo.
Distribution	0.5782		0.7595		219.68		
Supply	0.6001			42.92			42.92
Metering	0.4326	5.00		35.94			35.94
Members' Contribution for CAPEX	0.2904		0.2904			0.2904	

17. NORECO 2 intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

E				
Name: NORECO 2				
	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 & BAPA				
Distribution (kWh)	0.8247	0.7425	0.6604	0.5782
Supply (kWh)	0.4013	0.4676	0.5338	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.1527	0.2460	0.3393	0.4326
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1981)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.3528	0.4884	0.6239	0.7595
Supply (Customer)	23.4200	29.9201	36.4202	42.92
Metering (Customer)	19.6300	25.0677	30.5054	35.94
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0843)			
Final Loan Condo (customer)	(2.1380)			
Cust. Type: industrial				
Distribution (kWh)	0.6194	0.6661	0.7128	0.7595
Distribution (kW)	14.5200	9.6800	4.8400	
Supply (Customer)	23.2400	29.8001	36.3602	42.92
Metering (Customer)	73.3600	60.8877	48.4154	35.94
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1370)			
Final Loan Condo (customer)	(1.9505)			
Cust. Type: Public Bldg				
Distribution (kWh)	0.4496	0.5529	0.6562	0.7595
Supply (Customer)	23.2400	29.8001	36.3602	42.92
Metering (Customer)	29.0300	31.3344	33.6387	35.94
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904

Final Loan Condo (kWh)	(0.0982)			
Final Loan Condo (customer)	(1.9503)			
Cust. Type: St Light				
Distribution (kWh)	0.2627	0.4283	0.5939	0.7595
Supply (Customer)	49.0600	47.0134	44.9669	42.92
Metering (Customer)	-	11.9810	23.9620	35.94
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0700)			
Final Loan Condo (customer)	(1.9503)			
Cust. Type: Irrigation/Water System				
Distribution (kWh)	0.1207	0.3336	0.5466	0.7595
Supply (Customer)	23.2400	29.8001	36.3602	42.92
Metering (Customer)	114.0700	88.0277	61.9854	35.94
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0521)			
Final Loan Condo (customer)	(1.9493)			
HIGHER VOLTAGE				
Cust. Type: Industrial (with Demand)				
Distribution (kWh)	0.6194	0.4129	0.2065	
Distribution (kW)	14.5200	82.9069	151.2938	219.6807
Supply (Customer)	23.2400	29.8001	36.3602	42.92
Metering (Customer)	73.3600	60.8877	48.4154	35.94
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1370)			
Final Loan Condo (customer)	(1.9505)			
Cust. Type: High Voltage				
Distribution (kWh)	0.2845	0.1897	0.0948	
Distribution (kW)	14.5200	82.9069	151.2938	219.6807
Supply (Customer)	23.2400	29.8001	36.3602	42.92
Metering (Customer)	1,134.4000	768.2477	402.0954	35.94
Members Contribution for Capital Expenditures	0.1930	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0800)			
Final Loan Condo (customer)	(1.9488)			

18. NORECO 2 submits that the implementation of the proposed rates would work to the best interest of its consumers as it would enable the

cooperative to finance its various capital projects approved by the ERC and support its operating revenue requirements; Further, NORECO 2 has chosen to implement the proposed DSM rates in three (3) staggered basis during the transition period to mitigate the rate impact towards the initial tariff, and 100% of the MCC rate at the start of the transition period in order to fund its approved capital projects;

19. NORECO 2 has duly complied with the pre-filing requirements by furnishing copies of the Application together with its supporting annexes and accompanying documents to the Sangguniang Panlalawigan of Negros Oriental and the Sangguniang Panlungsod of Dumaguete City and published the Application in its entirety in a newspaper of general circulation in the Province of Negros Oriental.

20. Attached and made integral parts of this application are the following supporting documents and annexes, to wit:

- a. Board Resolution authorizing the filing of the instant application;
- b. Board Resolution supporting the NAGMEC's resolution supporting the approval of ERC on the new rate setting methodology;
- c. Board Resolution imploring the ERC to implement the RSEC-WR;
- d. Local publication of the Application with Affidavit of Publication;
- e. Certifications of the concerned local Sanggunians;
- f. Completed RSEC-WR UFR Model;
- g. Completed Transition Model;
- h. Working papers on details and explanations;
- i. 2008 Audited Financial Statement ;
- j. Billing Determinants & Customer Class Allocation;
- k. Current Statements of Account.

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing, to approve the new rate schedule for applicant NORECO 2, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			CAPEX
		D	S	M	
Residential	PhP/kWh	0.5782	0.6001	0.4326	0.2904
	PhP/Cust/Mo.			5.00	
Low Voltage	PhP/kWh	0.7595			0.2904
	PhP/Cust/mo.		42.92	35.94	
Higher Voltage	PhP/kW	219.68			
	PhP/Cust/Mo.		42.92	35.94	
	PhP/kWh				0.2904

It is further prayed that applicant be provisionally authorized to implement the said rates pending hearing and final evaluation of the application by the Honorable Commission.

Other reliefs, just and equitable in the premises are likewise prayed for.

Pasig City, Metro Manila, October 27, 2009.

**DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES**

Counsel for NORECO 2
Units 1609-1610 Tycoon Centre
Pearl Drive, Ortigas Center
Pasig City, Metro Manila

By:

DITAS A. LERIOS-AMBOY

Roll No. 40628

MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008

PTR#5098945 Jan. 5, 2009 Pasig

IBP# 767996 Jan. 5, 2009 Rizal

Republic of the Philippines)
Dumaguete City) Ss.

**VERIFICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

I, Ephraim T. Taclob of legal age, Filipino and with office address at the Main Office of Negros Oriental 2 Electric Cooperative (NORECO 2), after being sworn to according to law, depose and state that:

1. I am the General Manager of Negros Oriental 2 Electric Cooperative (NORECO 2);

2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records of NORECO 2;

3. NORECO 2 has not heretofore commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of my knowledge no such action or proceeding is pending, and if I should learn that the same or similar action or proceeding has been filed or is pending, I undertake to report such fact to this Honorable Commission, within five (5) days therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand this 28th day of October, 2009 at Dumaguete City.

EPHRAIM T. TACLOB
Affiant

SUBSCRIBED AND SWORN to before me in Dumaguete City, this 28th day of October 2009 by the affiant who exhibited to me his Card No. 07-0444950-1 issued by the Social Security System.

Atty. NEIL RAY M. LAGAHIT
Notary Public
Until December 31, 2009
Roll No. 42576 - 5/19/1997
IBP No. 771362 - 1/06/09
PTR No. 9273863 - 1/13/09
Both issued in Dumaguete City

Doc. No. 267 ;
Page No. 54 ;
Book No. XVII ;
Series of 2009.