

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. 2009-093 RC

SURIGAO DEL SUR I ELECTRIC  
COOPERATIVE, Inc. (SURSECO I)  
Applicant.

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

COMES NOW, applicant Surigao del Sur I Electric Cooperative, Inc. (SURSECO-I for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. SURSECO I 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 San Fernando, Bislig City, Surigao del Sur, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Edwin M. Malazarte, of legal age, Filipino and with office address also at SURSECO I Office.

2. Herein applicant is the exclusive franchise holder, issued by the National Electrification Administration (NEA), to operate an electric light and power services in the City of Bislig and Municipalities of Lingig, Hinatuan, Tagbina and Barobo, all of the Province of Surigao del Sur;

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 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 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. SURSECO-I participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of the said rules;

9. On 27 March 2009, SURSECO-I’s Board of Director’s passed Board Resolution No. 14-S-2009 imploring upon the ERC to implement the new rate setting methodology embodied in the RSEC-WR;

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 and the same was published in the Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, SURSECO-I was categorized as Group “B”;
12. As a Group “B” EC, SURSECO-I’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR is PhP 1.8200;
13. Further, SURSECO-I 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
BAPA	
SALE FOR RESALE	
SMALL COMMERCIAL	LOW VOLTAGE CUSTOMERS
LARGE COMMERCIAL	
PUBLIC BUILDING	
STREET LIGHTS	
LARGE COMMERCIAL	HIGHER VOLTAGE CUSTOMERS
PUBLIC BUILDING	
INDUSTRIAL	

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

Table 2. Initial DSM Rate Caps Per Customer Class

Group B	Residential		Low Voltage		Higher Voltage	
	Php/kWh	Php/Cust/ Month	Php/kWh	Php/Cust/ Month	Php/kW	Php/Cust/ Month
Distribution	0.8449		0.9259		267.90	
Supply	0.7732			40.15		40.15
Metering	0.4569	5.00		28.72		28.72

15. As a Group “B” EC, SURSECO-I is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP 0.4004/kWh;

16. Considering the abovementioned rates, SURSECO-I's rate caps would be as follows: 1.) DSM – PhP 1.8200; and 2.) MCC – PhP 0.4004;

Group B	Residential		Low Voltage		Higher Voltage		
	Php/kWh	Php/Meter/ Month	Php/kWh	Php/Cust/ Month	Php/kW	Php/kWh	Php/Cust/ Month
Distribution	0.8449		0.9259		267.90		
Supply	0.7732			40.15			40.15
Metering	0.4569	5.00		28.72			28.72
Member's Contribution for CAPEX	0.4004		0.4004			0.4004	

17. SURSECO-I intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

GROUP : B NAME : SURSECO I	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.3333	0.3333	0.3333
<b>RESIDENTIAL</b>				
<b>Cust. Type: <u>Residential</u></b>				
Distribution (kWh)	1.1850	1.0716	0.9583	0.8449
Supply (kWh)	0.5346	0.6141	0.6937	0.7732
Metering (Customer)	5.00	5.00	5.00	5.00
Metering (kWh)	0.4313	0.4398	0.4484	0.4569
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>Cust. Type: <u>Sale For Resale</u></b>				
Distribution (kWh)	0.4016	0.5494	0.6972	0.8449
Supply (Customer)	26.72			
Supply (kWh)		0.2577	0.5155	0.7732
Metering (Customer)		1.67	3.33	5.00
Metering (kWh)		0.1523	0.3046	0.4569
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>LOW VOLTAGE</b>				
<b>Cust. Type: <u>Small Commercial</u></b>				
Distribution (kWh)	0.6517	0.7431	0.8345	0.9259
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004

<b>Cust. Type: <u>Large Commercial</u></b>				
Distribution (kWh)	0.4255	0.5923	0.7591	0.9259
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>Cust. Type: <u>Public Building</u></b>				
Distribution (kWh)	0.5349	0.6652	0.7956	0.9259
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>Cust. Type: <u>Street Light</u></b>				
Distribution (kWh)	7.6184	5.3876	3.1567	0.9259
Supply (Customer)	27.00	31.38	35.77	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>HIGHER VOLTAGE</b>				
<b>Cust. Type: <u>Large Commercial</u></b>				
Distribution (kWh)	0.4255			
Distribution (kW)		89.30	178.60	267.90
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	.2669	0.4004
<b>Cust. Type: <u>Public Building</u></b>				
Distribution (kWh)	0.5349			
Distribution (kW)		89.30	178.60	267.90
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004
<b>Cust. Type: <u>Industrial</u></b>				
Distribution (kWh)	0.0802			
Distribution (kW)	19.80	102.50	185.20	267.90
Supply (Customer)	28.63	32.47	36.31	40.15
Metering (Customer)	28.10	28.31	28.52	28.72
Members Contribution for CAPEX		0.1335	0.2669	0.4004

18. SURSECO-I submits that the implementation of the proposed rates would be to the best interest of its consumers as it would enable the cooperative to generate sufficient revenue to cover the increasing cost of service for the next

three (3) years, and finance its proposed capital projects for system reliability and efficiency;

19. SURSECO I 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 Panglungsod* of Bislig City and the *Sangguniang Panlalawigan* of the Province of Surigao del Sur, and published the Application in its entirety in the *Gold Star Daily*, a newspaper of general circulation in the Province of Surigao del Sur.

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

- a. Board Resolution No. 58-S-2009, adopted on 02 October 2009, authorizing the filing of the instant application (Annex "A");
- b. A CERTIFICATION from the *Sangguniang Panlungsod* of the City of Bislig, attesting that it was furnished with a copy, complete with annexes, of the instant Application (Annex "B")
- c. A CERTIFICATION from the *Sangguniang Panlalawigan* of the Province of Surigao del Sur, attesting that it was furnished with a copy, complete with annexes, of the instant Application (Annex "C");
- d. The AFFIDAVIT OF PUBLICATION issued by the Publisher/Editor of the *Gold Star Daily*, attesting to the publication of the Application (Annex "D");
- e. Copies of the *Gold Star Daily* issues of October 21, 2009 and October 26, 2009 where the Application is published (Annexes "D-1" and "D-2");
- f. Board Resolution No. 14-S-2009, imploring the ERC to adopt and implement the RSEC-WR (Annex "E");
- g. Completed RSEC-WR UFR Model (Annex "F" and series);
- h. Completed Transition Model (Annex "G" and series);
- i. Working Papers on Details and Explanation (Annex "H" and series);

- j. 2008 Audited Financial Statements (Annex "I" and series);
- k. Billing Determinants & Customer Class Allocation (Annex "J" and series);
- l. Current Statement Of Accounts Per Customer Class (Annex "K" and series).

## 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 SURSECO I, as follows:

TYPES OF CUSTOMER	UNITS	RATE DESIGN			Member's Contribution for CAPEX
		D	S	M	
Residential	PhP/kWh	0.8449	0.7732	0.4569	0.4004
	PhP/Meter/Mo.			5.00	
Low Voltage	PhP/kWh	0.9259			0.4004
	PhP/Cust/Mo.		40.15	28.72	
Higher Voltage	PhP/kW	267.90			
	PhP/kWh				0.4004
	PhP/Cust/Mo.		40.15	28.72	

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.

Bislig City, Surigao del Sur, for Pasig City, 19 October 2009.

**EDWIN M. MALAZARTE**  
 (General Manager & Counsel for the Applicant)  
 SURSECO-I, Bislig City, Surigao del Sur  
 PTR No. 0209976/1.05.2009 Bislig City  
 IBP Lifetime Member No. 05200  
 MCLE No. III-0002865  
 Roll No. 38825, 3.14.94

## VERIFICATION & CERTIFICATION

REPUBLIC OF THE PHILIPPINES )  
PROVINCE OF SURIGAO DEL SUR) SS  
CITY OF BISLIG )

I, **EDWIN M. MALAZARTE**, of legal age, Filipino, married, with office address at SURSECO-I, Barangay San Fernando, Bislig City, Surigao del Sur, after having been sworn to in accordance with law hereby depose and say:

1. That I am the General Manager of the Surigao del Sur I Electric Cooperative, Inc. (SURSECO-I), and has been duly authorized by its Board of Directors, per Board Resolution No. 58-S-2009 to represent the cooperative in the filing of the instant Application for the Approval of an Adjustment in Rates under RSEC-WR; that as General Manager, I have caused the preparation and filing of the said application;

2. That I have read and know the contents thereof as true and correct to the best of my own knowledge;

3. That I further certify that I have not therefore commence any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any other tribunal or agency; That to the best of my knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals or any other tribunal or agency; That if there is such an action or proceeding that is either pending or may have been terminated, I undertake to report such fact within five days to this Honorable Commission and to the court, tribunal, or agency where the original action was filed.

**IN WITNESS WHEREOF**, I hereunto set my hands this 19<sup>th</sup> day of October, 2009 at Bislig City, Surigao del Sur.

**EDWIN M. MALAZARTE**  
(Affiant)

**SUBSCRIBED AND SWORN** to before me this 19<sup>th</sup> day of October, 2006 at Bislig City, Surigao del Sur, affiant having shown to me his Community Tax Certificate numbered 15450710, issued on 05 January 2009, at Bislig City, Surigao del Sur.