

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. 2009-096 RC

PANGASINAN III ELECTRIC
COOPERATIVE (PANELCO III)
Applicant.

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A P P L I C A T I O N

COMES NOW, applicant **Pangasinan III Electric Cooperative (PANELCO III** for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. **PANELCO III** 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 McArthur highway, Brgy. Nancayasan, Urdaneta City, Pangasinan, where it may be served with summons and other legal processes, represented in this instance by its General Manager, **Engr. FERDINAND M. CEREZO**, of legal age, Filipino and with office address also at **PANELCO III** 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 cities/municipalities of the province of PANGASINAN, namely: Asingan, Balungao, Binalonan, Laoac, Mapandan, Natividad, Pozorrubio, Rosales, San Manuel, San Nicolas, San Quintin, Sta. Maria, Sto. Tomas, Tayug, Umingan, Urdaneta City, Villasis and Part Manaoag;

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. **PANELCO III** participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of the said rules;
9. On October 21, 2009, **PANELCO III**’s Board of Director’s passed Board Resolution No. 74-s-10-2009, 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 on and the same was published in Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, **PANELCO III** was categorized as Group “E”;
12. As a Group “E” EC, **PANELCO III**’s determined Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR is PhP1.3200;

13. Further, **PANELCO III** 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	
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Irrigation / CWS	
Commercial	Higher Voltage Customers
Industrial	
Public Building	

14. After functionalizing and allocating its ORR and using the new customer class, **PANELCO III**'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/kWh	PhP/Cust/mo.
Distribution	0.5782		0.7595		219.68	
Supply	0.6001			42.92		42.92
Metering	0.4326	5.0000		35.94		35.94

15. As a Group “E” EC, **PANELCO III** is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.2904/kWh;

16. Considering the abovementioned rates, **PANELCO III**'s rate caps would be as follows: 1.) DSM – PhP1.32/kWh; and 2.) MCC - PhP0.2904/kWh;

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		
Suppy	0.6001			42.92			42.92
Metering	0.4326	5.0000		35.94			35.94
Member's Contribution for CAPEX	0.2904		0.2904			0.2904	

17. **PANELCO III** intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

E Pangasinan III Electric Cooperative				
	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)	0.7450	0.6894	0.6338	0.5782
Supply (kWh)	0.4847	0.5232	0.5616	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3517	0.3787	0.4056	0.4326
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1977)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.6039	0.6558	0.7076	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	65.4900	57.9668	50.4435	42.9203
Metering (Customer)	38.7000	37.7810	36.8620	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1226)			
Final Loan Condo (customer)	(4.0069)			
Cust. Type: Industrial				
Distribution (kWh)	0.6710	0.7005	0.7300	0.7595
Distribution (kW)	16.5000	11.0000	5.5000	
Supply (kWh)	-	-	-	-
Supply (Customer)	210.4100	154.5801	98.7502	42.9203
Metering (Customer)	332.1400	233.4077	134.6754	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1375)			
Final Loan Condo (customer)	(28.8795)			

Cust. Type: Public Building				
Distribution (kWh)	0.6045	0.6562	0.7078	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	71.0300	61.6601	52.2902	42.9203
Metering (Customer)	38.7000	37.7810	36.8620	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1218)			
Final Loan Condo (customer)	(4.0069)			
Cust. Type: Mun. Street Lights				
Distribution (kWh)	1.2949	1.1164	0.9380	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	47.0300	45.6601	44.2902	42.9203
Metering (Customer)	-	11.9810	23.9620	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.3550)			
Final Loan Condo (customer)	(0.7257)			
Cust. Type: Special Lighting				
Distribution (kWh)	0.4926	0.5816	0.6705	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	203.8200	150.1868	96.5535	42.9203
Metering (Customer)	38.7000	37.7810	36.8620	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0957)			
Final Loan Condo (customer)	(4.0070)			
HIGHER VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.6039	0.4026	0.2013	
Distribution (kW)	-	73.2269	146.4538	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	65.4900	57.9668	50.4435	42.9203
Metering (Customer)	38.7000	37.7810	36.8620	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1226)			
Final Loan Condo (customer)	(4.0069)			
Cust. Type: Industrial				
Distribution (kWh)	0.6710	0.4473	0.2237	
Distribution (kW)	16.5000	84.2269	151.9538	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	210.4100	154.5801	98.7502	42.9203
Metering (Customer)	332.1400	233.4077	134.6754	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1375)			
Final Loan Condo (customer)	(28.8795)			
Cust. Type: Public Building				
Distribution (kWh)	0.6045	0.4030	0.2015	
Distribution (kW)	-	73.2269	146.4538	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	71.0300	61.6601	52.2902	42.9203
Metering (Customer)	38.7000	37.7810	36.8620	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1218)			
Final Loan Condo (customer)	(4.0069)			

18. **PANELCO III** submits that the implementation of the proposed tariff rate transition scheme would be to the best interest of its consumers as it would be to the gain of its consumers. These rates for all of the customer classes will be implemented 1/3 during the first year, 1/3 for the second year and the remaining 1/3 on the third year of the transition period. However, the Capital Expenditure rates shall be implemented in full from the first up to the third transition period considering that the cooperative will have to purchase various materials and equipment to undertake its rehabilitation and expansion programs in line with DDP and its program for the reduction of system loss. With this proposed implementation scheme, the rates for other class of customers will render a gradual glide pattern with its increased tariff rate.

Moreover, PANELCO III has not applied for any rate adjustment since the implementation of the approved unbundled rates in September, 2004 using year 2000 base data as test year. Hence, we respectfully request that the full Member's Contribution to CAPEX rate be implemented on the start of the transition period so that we can cope up with the frequent recurring increase in the cost of distribution line maintenance and reliability improvement; and

With this scheme also, we will be able to recover our investments on the un-planned capital expenditure projects like the rehabilitation of typhoon damaged distribution lines during year 2001 (Typhoon "Feria"), 2003 (Typhoon "Chedeng") and 2008 (Typhoon "Cosme") including the most recent damages this October 2009 brought by Typhoon "Pepeng". Other un-programmed capital extensive project is the almost 2.20 km. three phase distribution line affected by the road widening project here at Urdaneta City.

19. **PANELCO III** has duly complied with the pre filing requirements by furnishing copies of the Application together with its supporting annexes and accompanying documents to the Local Government Units' legislative bodies within the franchise area and published the Application in its entirety in a newspaper of general circulation in the Province of Pangasinan.

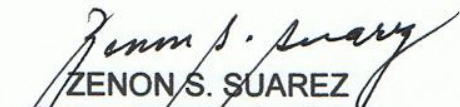
PRAYER

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 **PANELCO III**, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			CAPEX
		D	S	M	
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		42.92	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.

Quezon City for Pasig City, ____ October 2009.


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