

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

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

ERC CASE NO. 2009-101 RC

SORSOGON II ELECTRIC
COOPERATIVE (SORECO II)
Applicant.
x-----x

A P P L I C A T I O N

COMES NOW, applicant **SORSOGON II ELECTRIC SERVICE COOPERATIVE (SORECO II)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. SORECO II 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 Brgy. Buhatan, East District, Sorsogon City, where it may be served with summons and other legal processes, represented in this

instance by its OIC-General Manager, Atty. Percival G. Alvarez, of legal age, Filipino and with office address also at SORECO II 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/municipalities of the Province of Sorsogon, namely: Sorsogon East, West and Bacon Districts, Sorsogon City; Donsol, Pilar, Castilla, Gubat, Barcelona, and Pto. Diaz;
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. SORECO II participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said Rules;

7. Said regulatory framework is now embodied in the new *Rules for Setting the Electric Cooperatives' Wheeling Rates* (RSEC-WR);
8. 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;
9. On May 5, 2009, SORECO II Board of Directors passed Board Resolution No. 120, 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 September 22, 2009 and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, SORECO II is categorized under Group "C";
12. As a Group "C" EC, SORECO II's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is Php1.680000;

13. Further, SORECO II 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	
Large Load	Higher Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP C	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.7004		0.7493		213.9604	
Supply	0.7156			34.05		34.05
Metering	0.5236	5		29.91		29.91

15. As a Group “C” EC, SORECO II is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of Php0.3696/kWh;

16. Considering the abovementioned rates, SORECO II’s rate caps would be as follows: 1.) DSM – 1.68/kwh; and 2.) MCC – 0.3696/kwh;

GROUP C	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.7004		0.7493		213.9604	
Supply	0.7156			34.05		34.05
Metering	0.5236	5		29.91		29.91
Members Contribution for CAPEX	0.3696		0.3696		0.3696/kwh	

17. SORECO II intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

C Name: SORECO II	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 (kWh)	1.6604	1.3404	1.0204	0.7004
Supply (kWh)	1.4959	1.2358	0.9757	0.7156
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4138	0.4504	0.4870	0.5236
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.5522)			
Cust. Type: SALE FOR RESALE				
Distribution (kWh)	0.7789	0.7527	0.7265	0.7004
Distribution (kW)	-	-	-	
Supply (kWh)	-	0.2385	0.4770	0.7156
Supply (Customer)	109.1700	72.7800	36.3900	
Metering (Customer)	265.2400	178.4933	91.7467	5.0000
Metering (kWh)	-	0.1745	0.3491	0.5236
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1211)			
Final Loan Condo (customer)	(9.5165)			

C Name: SORECO II	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 (kWh)	0.7283	0.7353	0.7423	0.7493
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	75.3800	61.6018	47.8236	34.0454
Metering (Customer)	64.7900	53.1639	41.5377	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1213)			
Final Loan Condo (customer)	(7.4599)			
Cust. Type: PUBLIC BUILDING				
Distribution (kWh)	0.8005	0.7834	0.7664	0.7493
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	73.3700	60.2618	47.1536	34.0454
Metering (Customer)	59.7900	49.8305	39.8710	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1419)			
Final Loan Condo (customer)	(7.4580)			
Cust. Type: STREET LIGHTS				
Distribution (kWh)	0.9828	0.9050	0.8271	0.7493
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	20.0300	24.7018	29.3736	34.0454
Metering (Customer)	28.5100	28.9772	29.4444	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1699)			
Final Loan Condo (customer)	(1.8002)			
Cust. Type: INDUSTRIAL				
Distribution (kWh)	0.5904	0.6434	0.6963	0.7493
Distribution (kW)	22.0000	14.6667	7.3333	
Supply (kWh)	-	-	-	
Supply (Customer)	213.1100	153.4218	93.7336	34.0454
Metering (Customer)	515.3700	353.5505	191.7310	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1184)			
Final Loan Condo (customer)	(9.7648)			

Name: SORECO II	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 (kWh)	0.5904	0.3936	0.1968	
Distribution (kW)	22.0000	85.9868	149.9736	213.9604
Supply (kWh)	-	-	-	
Supply (Customer)	213.1100	153.4218	93.7336	34.0454
Metering (Customer)	515.3700	353.5505	191.7310	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1184)			
Final Loan Condo (customer)	(9.7648)			
Cust. Type: COMMERCIAL				
Distribution (kWh)	0.7283	0.4855	0.2428	
Distribution (kW)	-	71.3201	142.6403	213.9604
Supply (kWh)	-	-	-	
Supply (Customer)	75.3800	61.6018	47.8236	34.0454
Metering (Customer)	64.7900	53.1639	41.5377	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1213)			
Final Loan Condo (customer)	(7.4599)			
Cust. Type: PUBLIC BUILDING				
Distribution (kWh)	0.8005	0.5337	0.2668	
Distribution (kW)	-	71.3201	142.6403	213.9604
Supply (kWh)	-	-	-	
Supply (Customer)	73.3700	60.3951	47.2203	34.0454
Metering (Customer)	59.7900	49.8305	39.8710	29.9116
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.6701	0.6701	0.6701
Final Loan Condo (kWh)	(0.1419)			
Final Loan Condo (customer)	(7.4580)			

18.a) SORECO II submits that the implementation of the proposed rates would be to the best interest of its consumers as it will encourage the cooperative to become more efficient, and eventually achieve financial independence and be able to deliver a more reliable and efficient service. Further, SORECO II has chosen to implement the proposed rates during the transition period in three (3) tranches for the DSM rates and 100% for the MCC at the start of the transition period, to mitigate the impact of the adjustment towards the initial tariff.

b). SORECO II prays of this Honorable Commission that it be allowed to recover through the instant rate application its recently approved CAPEX Program under ERC Case No. 2008-106MC, which is intended for the rehabilitation of its power distribution system, distribution load improvement of various sections of its distribution system, for the procurement of annual requirements as well as for operation and maintenance enhancement.

c) However, inasmuch as the over-all impact of the tariff cap for SORECO II under Group "C" will result to a reduction in its current revenue by an average of PhP0.3005/kWh, SORECO II further prays that said reduction be added to the MCC rate of PhP0.3696 to be able to arrive at a revenue-neutral rate of PhP0.6701, and this addition to the MCC rate would just be adequate to finance the needed requirements for the regulated capital projects of SORECO II.

19. SORECO II 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 Sorsogon, and the Sangguniang Panlungsod of Sorsogon City and

published the Application in its entirety in a newspaper of general circulation in the Province of Sorsogon.

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 imploring the ERC to implement the RSEC-WR
- c. Local publication of the Application with Affidavit of Publication;
- d. Certifications of the concerned local Sanggunians;
- e. Completed RSEC-WR UFR Model;
- f. Completed Transition Model
- g. Working papers on details and explanation
- h. 2008 Audited Financial Statement
- i. Billing Determinants & Customer Class Allocation
- j. Current Statement 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 SORECO II, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			CAPEX
		D	S	M	
Residential	PhP/kWh	0.7004	0.7156	0.5236	
	PhP/Meter/Mo.			5	
CAPEX	PhP/kWh				0.6701
Low Voltage	PhP/kWh	0.7493			
	PhP/Cust/Mo.		34.0454	29.9116	
CAPEX	PhP/kWh				0.6701
Higher Voltage	PhP/kWh	213.9604			
	PhP/Cust/Mo.		34.0454	29.9116	
CAPEX	PhP/kWh				0.6701

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 26, 2009.

DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
Counsel for SORECO II
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)
Buhatan, Sorsogon City) SS

VERIFICATION AND CERTIFICATION OF NON-FORUM-SHOPPING

I, **ATTY. PERCIVAL G. ALVAREZ**, Filipino, of legal age, married and a resident of Bliss Project Macabog, Sorsogon City, after being sworn to in accordance with law, depose and state:

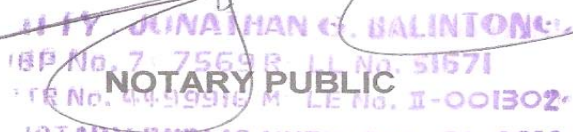
1. That I am the OIC-General Manager of Sorsogon II Electric Cooperative (SORECO II):
2. That I am authorized to file the instant Petition by the SORECO II Board;
3. That I caused the preparation of the foregoing Petition by our lawyer;
4. That the allegations thereof are true and correct based on my own personal knowledge and based on authentic records on hand;
5. That I have not filed any petition/application of the same nature, subject matter and issues as in this case before any court, tribunal, or quasi-judicial agency, including the Supreme Court and the Court of Appeals, neither is there any such case pending before them;
6. That should I learn that the same or similar application/petition has been filed or is pending in any such court, tribunal, or quasi-judicial body, I shall report that fact within five (5) days thereof to the Honorable Commission.

IN WITNESSS WHEREOF, I have hereunto set my hand this 26th day of October, 2009 at Sorsogon City.


ATTY. PERCIVAL G. ALVAREZ
Affiant

SUBSCRIBED AND SWORN to before me in Sorsogon City, this 26th day of October 2009 by the affiant who exhibited to me his IBP ID No. 49721 issued at Manila, Philippines.

Doc. No. 210 ;
Page No. 42 ;
Book No 5 ;
Series of 2009


ATTY. JONATHAN C. BALINTONG
IBP No. 7, 75698-11 No. 51571
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IBP No. 44-59916 M LE No. II-001302
NOTARY PUBLIC UNTIL DEC. 31 2010