

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. 2009-102 RC

**KALINGA-APAYAO ELECTRIC
COOPERATIVE, INC. (KAELCO)**
Applicant.

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A P P L I C A T I O N

COMES NOW, applicant **KALINGA-APAYAO ELECTRIC COOPERATIVE, INC. (KAELCO)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. KAELCO 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 Purok 5, Provincial Rd. Bulanao, Tabuk, Kalinga where it may be served with summons and other legal processes, represented in this instance by its General Manager, CORAZON D. TOMAS, of legal age, Filipino and with office address also at the KAELCO 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 namely Tabuk, Rizal, Pinukpuk,

Tinglayan, Lubuagan, Pasil, Tanudan, Balbalan, Calanasan, Conner and Kabugao of the Provinces of Kalinga and Apayao ;

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. KAELCO 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 *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 October 16, 2009, KAELCO Board of Directors passed Board Resolution No 049 series of 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, KAELCO is categorized under Group “A”;

12. As a Group “A” EC, KAELCO’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 2.42;

13. Further, KAELCO 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
Commercial	Low Voltage
Industrial	
Public Building	
Street Lights	
Commercial	Higher Voltage
Industrial	
Public Building	

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP A	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	1.0557		1.1577		302.51	
Supply	1.0282			42.82		42.82
Metering	0.5792	5.00		29.12		29.12

15. As a Group “A” EC, KAELCO is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.5324/kWh;

16. Considering the abovementioned rates, KAELCO’s rate caps would be as follows: 1.) DSM – **Php2.42**; and 2.) MCC – **Php0.5324**;

GROUP A	RESIDENTIAL		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/KWh	PhP/Cust/Mo.
Distribution	1.0557		1.1577		302.51		
Supply	1.0282			42.82			42.82
Metering	0.5792	5.00		29.12			29.12
Members Contribution for CAPEX	0.5324		0.5324			0.5324	

17. KAELCO intends to move to the rate caps during the transition period as follows

Table 3. Proposed Transition Rates

Group : A Name KALINGA-APAYAO ELECTRIC COOPERATIVE, INC. (KAELCO)				
	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage Increase	1	0.3333	0.3333	0.3333
RESIDENTIAL				
Residential :				
Distribution (kWh)	1.5465	1.3829	1.2193	1.0557
Supply (kWh)	1.4075	1.2811	1.1546	1.0282
Metering (meter)	5	5	5	5
Metering (kWh)	0.8541	0.7625	0.6708	0.5792
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324
LOW VOLTAGE				
Commercial				
Distribution (kWh)	0.4931	0.7146	0.9362	1.1577
Supply (kWh)				
Supply (Customer)	73.72	63.4205	53.121	42.82
Metering (Customer)	44.78	39.5607	34.3414	29.12
Metering (kWh)				
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324

Industrial				
Distribution (kWh)	0.1828	0.5078	0.8327	1.1577
Distribution (kW)	90.29			
Supply (kWh)				
Supply (Customer)	130.1	101.0072	71.9144	42.82
Metering (Customer)	63.37	51.954	40.538	29.12
Metering (kWh)				
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324
Public Building				
Distribution (kWh)	0.4307	0.673	0.9154	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	78.3	66.4738	54.6477	42.82
Metering (Customer)	44.78	39.5607	34.3414	29.12
Metering (kWh)				
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324
Street Lights				
Distribution (kWh)	1.6352	1.476	1.3169	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	78.24	66.4338	54.6277	42.82
Metering (Customer)		9.7074	19.4147	29.12
Metering (kWh)				
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324
HIGHER VOLTAGE				
Commercial				
Distribution (kWh)	0.4931			
Distribution (kW)		100.837	201.674	302.51
Supply (kWh)				
Supply (Customer)	73.72	63.4205	53.121	42.82
Metering (Customer)	44.78	39.5607	34.3414	29.12
Metering (kWh)				
Member Contri.for Capital Expenditure		0.5324	0.5324	0.5324
Industrial				
Distribution (kWh)	0.1828			
Distribution (kW)	90.29	161.0303	231.7706	302.51
Supply (kWh)				
Supply (Customer)	130.1	101.0072	71.9144	42.82
Metering (Customer)	63.37	51.954	40.538	29.12
Metering (kWh)				
Member Contri. for Capital Expenditure		0.5324	0.5324	0.5324

Public Building				
Distribution (KWh)	0.4307			
Distribution (KW)		100.84	201.674	302.51
Supply (KWh)				
Supply (Customer)	78.3	66.474	54.6477	42.82
Metering (Customer)	44.78	39.561	34.3414	29.12
Metering(KWh)				
Member's contribution for capital expenditures		0.5324	0.5324	0.5324

18. KAELCO submits that the implementation of the proposed rates would work to the best interest of its consumers as the cooperative will be encouraged to become more efficient and be able to deliver a more reliable, efficient and quality service to its consumers. Further, KAELCO has chosen to implement the proposed rates as follows: for the DSM rates, in three (3) installments during the transition period to mitigate the impact of the adjustment towards the initial tariff; and 100% for the CAPEX rate at the start of the transition period to be able to immediately raise funds necessary for its CAPEX projects.

19. KAELCO 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 Kalinga and the Sangguniang Bayan of Tabuk , and published the Application in its entirety in a newspaper of general circulation in the Province of Kalinga.

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 upon 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 explanations
- 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 KAELCO, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			
		D	S	M	CAPEX
Residential	PhP/kWh	1.0557	1.0282	0.5792	0.5324
	PhP/Meter/Mo.			5.00	
Low Voltage	PhP/kWh	1.1577			0.5324
	PhP/Cust/Mo.		42.82	29.12	
Higher Voltage	PhP/kW	302.51			
	PhP/Cust/Mo.		42.82	29.12	
	PhP/kWh				0.5324

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 25, 2009.

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

Counsel for KAELCO

Units 1609-1610 Tycoon Centre Condo.,
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)
Province of Kalinga) Ss.

VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

I, **CORAZON D. TOMAS** of legal age, Filipino and with office address at the Main Office of Kalinga-Apayao Electric Cooperative, Inc. (KAELCO), Purok 5, Provincial Rd. Bulanao, Tabuk, Kalinga, after being sworn to according to law, depose and state that:

1. I am the General Manager of Kalinga-Apayao Electric Cooperative, Inc. (KAELCO);

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 KAELCO;

3. KAELCO 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 _____ day of October, 2009 at _____.

CORAZON D. TOMAS
Affiant

SUBSCRIBED AND SWORN to before me in _____, this _____ day of October 2009 by the affiant who exhibited to me her _____ issued at _____ and with validity until _____.

Notary Public

Doc. No. ;
Page No. ;
Book No. ;
Series of 2009.