

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. 2009-106 RC

ALBAY ELECTRIC
COOPERATIVE, Inc. (ALECO)
Applicant.

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A P P L I C A T I O N

COMES NOW, applicant Albay Electric Cooperative, Inc. (ALECO for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ALECO 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 W. Vinzons St., Albay District, Legazpi City, where it may be served with summons and other legal processes, represented in this instance by its Operation & Management Manager, **German P. Silva**, of legal age, Filipino and with office address also at ALECO 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 ALBAY, namely: TIWI, MALINAO, TABACO, MALILIPOT, BACACAY, STO. DOMINGO, LEGAZPI, DARAGA, CAMALIG, RAPU-RAPU, MANITO, GUINOBATAN, OAS, LIGAO, LIBON, JOVELLAR, POLANGUI and PIODURAN;

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) authorizes 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 document denominated as 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. ALECO participated in the abovementioned public consultations and its submitted data/documents required by the ERC during the drafting of the said rules;

9. On May 15, 2009, ALECO’s Board of Director’s passed Board Resolution No. 09-21, 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 Sept. 24, 2009;

11. Under the RSEC-WR, ALECO was categorized as Group “F”;

12. As a Group “F” EC, ALECO determined Operating Revenue Requirement (ORR) per kWh is PhP 0.9900;

13. Further, ALECO 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	
STREETLIGHTS	
COMMERCIAL	HIGHER VOLTAGE
PUBLIC BUILDING	
INDUSTRIAL	

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP F	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	Php/meter/mo.	PhP/kWh	PhP/custo/mo.	PhP/kW	PhP/custo/mo.
Distribution	0.4613		0.4441		167.56	
Supply	0.5376			46.60		46.60
Metering	0.3205	5.0000		32.78		32.78

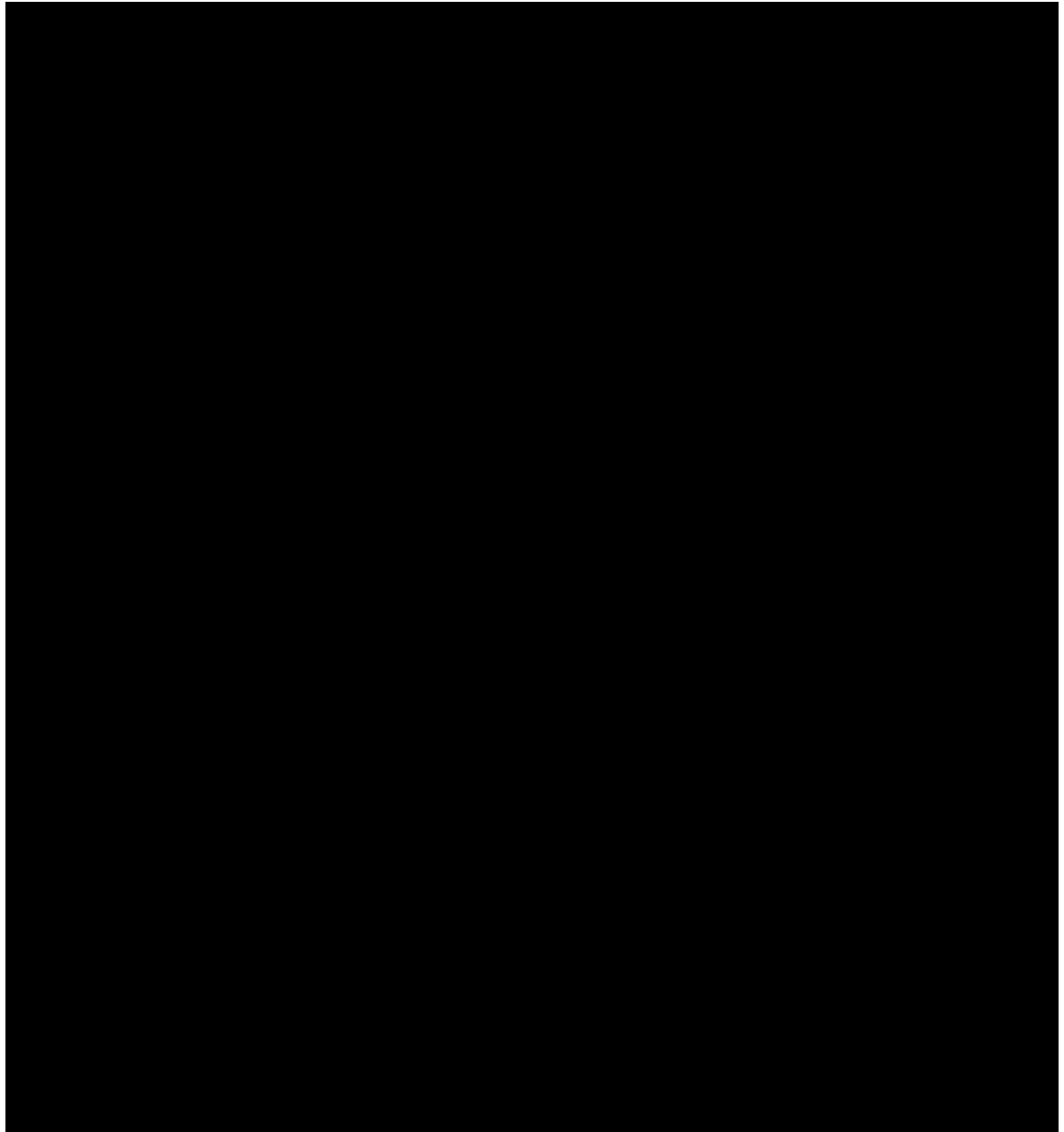
15. As a Group "F" EC, ALECO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP 0.2178/kWh;

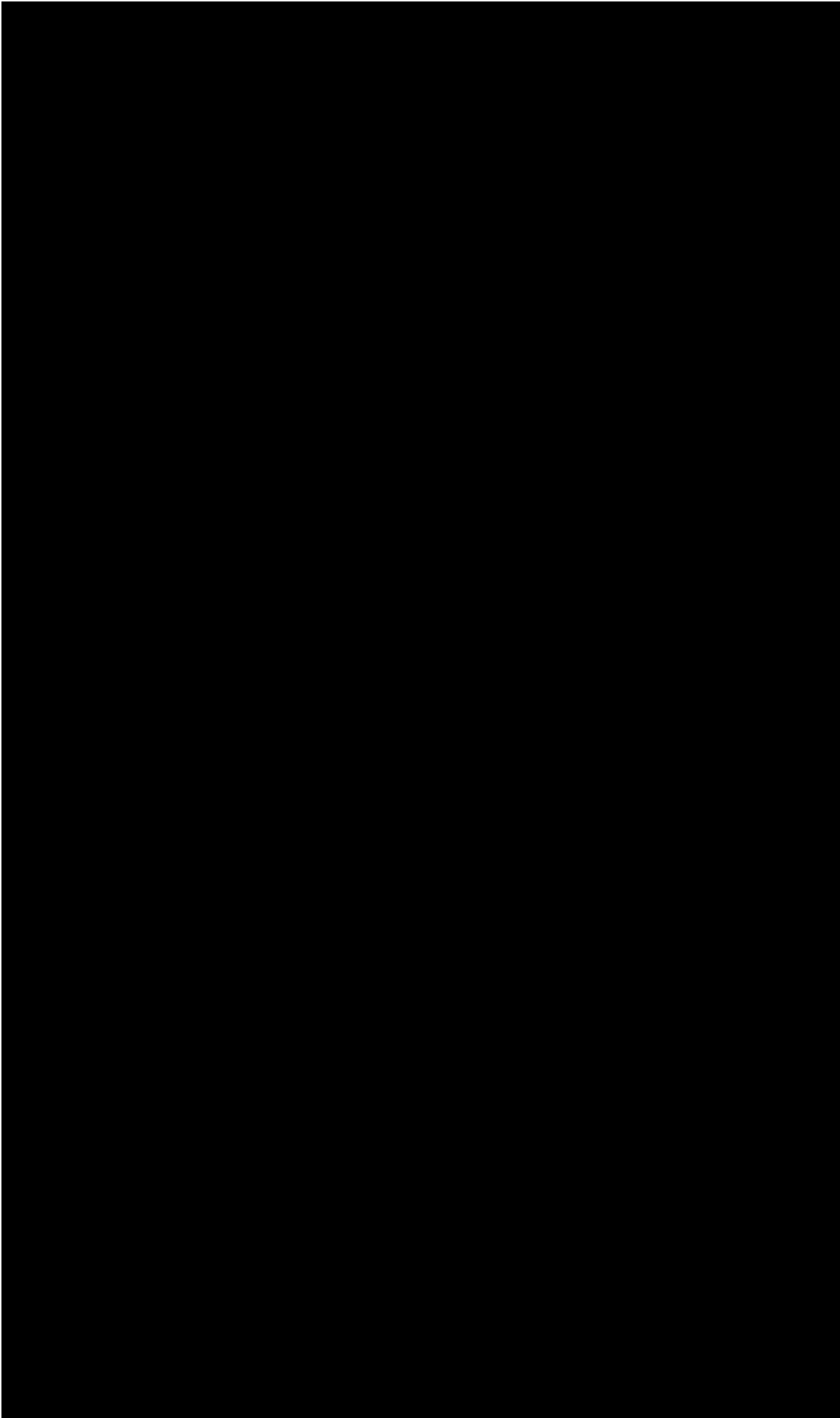
16. Considering the abovementioned rates, ALECO's rate caps would be as follows: 1.) DSM –PhP0.9900 per kWh; and 2.) MCC – PhP0.2178 per kWh;

GROUP F	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/custo/mo.	PhP/kWh	PhP/kW	PhP/custo/mo.
Distribution	0.4613		0.4441			167.56	
Supply	0.5376			46.60			46.60
Metering	0.3205	5.0000		32.78			32.78
Member's Contribution for CAPEX	0.2178		0.2178		0.2178		

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

Table 3. Proposed Transition Rates





Cust. Type: Industrial				
Distribution (kWh)	0.1989	-	-	
Distribution (kW)	19.8000	167.5632	167.5632	167.5632
Supply (kWh)		-	-	
Supply (Customer)	38.1600	46.6048	46.6048	46.6048
Metering (Customer)	62.0600	32.7818	32.7818	32.7818
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures	-	0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.0153)			
Final Loan Condo (customer)	(7.2105)			
Cust. Type: Public Building				
Distribution (kWh)	0.2830	-	-	
Distribution (kW)	-	167.5632	167.5632	167.5632
Supply (kWh)		-	-	
Supply (Customer)	38.1600	46.6048	46.6048	46.6048
Metering (Customer)	33.4700	32.7818	32.7818	32.7818
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.0325)			
Final Loan Condo (customer)	(4.0842)			

18. ALECO submits that the implementation of the proposed rates would be to the best interest of its consumers, as it would be encouraged to improve its efficiency and be able to deliver reliable, efficient and quality service to its consumers. Further, ALECO has chosen to implement the proposed rates 100% at the start of the transition period since the cooperative urgently needs funds to be able to sustain operations.

19. ALECO 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 Albay and the Sangguniang Panglunsod of Legazpi City, and published the Application in its entirety in a newspaper of general circulation in the Province of ALBAY.

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 explanations;
- h. 2008 Audited Financial Statement;
- i. Billing Determinants & Customer Class Allocation; and
- 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 ALECO, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		D	S	M	CAPEX
ResidentialL	Php/kWh	0.4613	0.5376	0.3205	0.2178
	Php/Meter/mo.			5.00	
Low Voltage	Php/kWh	0.4441			0.2178
	Php/custo/mo.		46.60	32.78	
Higher Voltage	Php/kW	167.56			
	Php/Cust/mo.		46.60	32.78	
	Php/kWh				0.2178

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 30, 2009.

DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
Counsel for ALECO
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)
) Ss.

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

I, **German P. Silva** of legal age, Filipino and with office address at the Main Office of Albay Electric Cooperative, Inc. (ALECO), W. Vinzons St., Albay District, Legazpi City after being sworn to according to law, depose and state that:

1. I am the Operations & Management Manager of Albay Electric Cooperative, Inc. (ALECO);

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 Albay Electric Cooperative (ALECO).

3. ALECO 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 _____, 2009 at _____.

GERMAN P. SILVA
Affiant

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

Notary Public

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