

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

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

ERC CASE NO. 2009-__ RC

BUKIDNON SECOND
ELECTRIC COOPERATIVE, Inc.
(BUSECO)

Applicant.

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A P P L I C A T I O N

COMES NOW, applicant Bukidnon Second Electric Cooperative, Inc. (BUSECO for brevity), through the undersigned Counsels, and unto this Honorable Commission, most respectfully states:

1. BUSECO is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the provisions of P.D. 269 and the laws of the Republic of the Philippines, with principal office at Barangay Tankulan, Manolo Fortich, Bukidnon, where it may be served with summons and other legal processes, represented in this instance by its General Manager and Chief Executive Officer, Edgardo R. Masongsong, of legal age, Filipino and with office address also at BUSECO Office, whose authority to represent BUSECO and execute the Verification in its behalf is confirmed by a Board Resolution No. 09-04-30A attached herein as Annex "A" which confirmation is further affirmed in Board Resolution No. 09-10-01 attached herein as Annex "A-1";

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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 Bukidnon, namely: Baungon, Malitbog, Libona, Manolo Fortich, Sumilao, Impasug-ong, Malaybalay, Lantapan, Cabanglasan, Talakag and some parts of Valencia City;
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 a 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. BUSECO participated in the abovementioned public consultations, it has likewise submitted data/documents required by the ERC for purposes of implementing said rules;
9. On April 6, 2009, BUSECO’s Board of Director’s passed Board Resolution No. 09-04-30 attached herein as Annex “B”, 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 locality wherein the electric cooperatives operate, the ERC

published for promulgation on September 24, 2009 the final RSEC-WR attached hereto as Annex “C”; thus, this application;

11. Under the RSEC-WR, BUSECO was categorized as Group “D”;
12. As a Group “D” EC, BUSECO determined Operating Revenue Requirement (ORR) per kWh is PhP1.14;
13. Further, BUSECO 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	
Industrial	Higher Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

Group D	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
Distribution	0.5143		0.5134		190.03	
Supply	0.5828			41.61		41.61
Metering	0.3669	5.0000		31.19		31.19

15. As a Group “D” EC, BUSECO is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.2508/kWh;
16. Considering the above mentioned rates, BUSECO’s rate caps would be as follows: 1.) DSM - Php 1.14; and 2.) MCC - 0.2508;

Group D	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
Distribution	0.5143		0.5134		190.03	
Supply	0.5828			41.61		41.61
Metering	0.3669	5.0000		31.19		31.19
MCC	0.2508		0.2508		0.2508	

17. BUSECO intends to move to the rate caps during the transition period as follows; also attached herein as Annex "D":

Table 3. Proposed Transition Rates

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	1.0000	-	-
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	1.3107	0.5143	0.5143	0.5143
Supply (kWh)	0.4823	0.5828	0.5828	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3750	0.3669	0.3669	0.3669
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.5895)			
SUB-TOTAL				
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.5296	0.5134	0.5134	0.5134
Distribution (kW)	-	-	-	-

Supply (kWh)	-	-	-	
Supply (Customer)	28.4500	41.6104	41.6104	41.6104
Metering (Customer)	46.2500	31.1926	31.1926	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.2126)			
Final Loan Condo (customer)	(8.7168)			
Cust. Type: Industrial				
Distribution (kWh)	0.4545	0.5134	0.5134	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	28.4500	41.6104	41.6104	41.6104
Metering (Customer)	96.9400	31.1926	31.1926	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1883)			
Final Loan Condo (customer)	(17.7438)			
Cust. Type: Public Building				
Distribution (kWh)	0.5931	0.5134	0.5134	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	28.4500	41.6104	41.6104	41.6104
Metering (Customer)	39.2200	31.1926	31.1926	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.2338)			
Final Loan Condo (customer)	(7.4652)			

Cust. Type: Street Lights				
Distribution (kWh)	3.2868	0.5134	0.5134	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	26.9200	41.6104	41.6104	41.6104
Metering (Customer)	26.9700	31.1926	31.1926	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.5301)			
Final Loan Condo (customer)	(0.4363)			
			HIGHER	VOLTAGE
Cust. Type: Industrial				
Distribution (kWh)	0.4545	-	-	
Distribution (kW)	-	190.0268	190.0268	190.0268
Supply (kWh)	-	-	-	
Supply (Customer)	28.4500	41.6104	41.6104	41.6104
Metering (Customer)	96.9400	31.1926	31.1926	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1883)			
Final Loan Condo (customer)	(17.7438)			

18. BUSECO upon revalidation of its actual operating and maintenance expense including payroll, copy of the schedule is attached herein as Annex "E" for the year 2008, has determined that the actual costs per customer class are higher than the Initial Tariff Cap as set by the ERC, hence the need to adjust the existing rates subject to the cap. BUSECO believes that the implementation of the proposed rates would be to the best interest of its consumers; and

19. BUSECO 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 Bukidnon; and in support thereof submits the following:

- i. Certifications from the Local Government Unit's Sangguniang Panlalawigan, Sangguniang Panlungsod and Sangguniang Bayans within the Applicant's franchise areas that the Application was duly furnished and received by their Offices;
- ii. Affidavit of Publication by the Editor-in-Chief/responsible officer for the publication of the Application in a newspaper of general circulation;
- iii. Copy of the issue of the local newspaper of general circulation where the Application was published;

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 BUSECO, as follows:

Group D	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
Distribution	0.5143		0.5134		190.03	
Supply	0.5828			41.61		41.61
Metering	0.3669	5.0000		31.19		31.19
MCC	0.2508		0.2508		0.2508	

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.

Malaybalay City for Pasig City, 02 October 2009.

ATTY. VICAR LOUREEN G. LOFRANCO

Counsel for the Applicant

Roll No. 56368

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Exempted from MCLE Compliance (2009)

IBP OR # 788633 * 04.24.2009 * Bukidnon Chapter

PTR OR # 4293849 * 05.07.2009 * Malaybalay City

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IBP OR # 749343 1.06.2009

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