

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- 79 RC

**PAMPANGA RURAL ELECTRIC
SERVICE COOPERATIVE, Inc.
(PRESCO)**

Applicant.

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A P P L I C A T I O N

COMES NOW, applicant Pampanga Rural Electric Service Cooperative, Inc. (PRESCO, INC.), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. PRESCO 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 Anao, Mexico, Pampanga, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Efren M. Tongol, of legal age, Filipino and with office address also at PRESCO Office, located at Anao, Mexico, Pampanga.
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 Pampanga namely: Arayat, Magalang, Mexico and Sta. Ana.
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) authorized 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. PRESCO participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of said Rules;
9. On March 25, 2009, General Managers of Electric Cooperatives passed Resolution No. 01 s. 2009, imploring upon the ERC to implement a new rate-setting "Benchmarking" methodology embodied in the RSEC-WR, that on October 9, 2009, PRESCO's Board of Directors also passed Board Resolution No. 18 s, 2009, imploring the same to the ERC to implement 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 published for promulgation on September 24, 2009 the final RSEC-WR; thus, this application;
11. Under the RSEC-WR, PRESCO was categorized as Group "D";
12. As a Group "D" EC, PRESCO determined Operating Revenue Requirement (ORR) per kWh is **PhP 1.1400**;
13. Further, PRESCO 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
Public Building	
Irrigation	
Street Lights	
Commercial	Higher Voltage Customers

14. After functionalizing and allocating the above-set ORR and using the new customer class, PRESCO' 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, PRESCO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP **0.2508** /kWh;

16. Considering the abovementioned rates, PRESCO's rate caps would be as follows: 1.) **DSM – PhP 1.1400**; and 2.) **MCC – PhP 0.2508**;

GROUP: D	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	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
CAPEX	0.2508		0.2508		0.2508		

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

Table 3. Proposed Transition Rates

D Name: PAMPANGA RURAL ELECTRIC SERVICE COOPERATIVE, INC.	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	1/3	1/3	1/3
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	0.7417	0.6659	0.5901	0.5143
Supply (kWh)	0.5533	0.5631	0.5730	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.2331	0.2777	0.3223	0.3669
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.2626)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.5426	0.5329	0.5231	0.5134
Distribution (kW)	24.9800	16.6533	8.3267	
Supply (kWh)		-	-	
Supply (Customer)	49.7200	47.0168	44.3136	41.61
Metering (Customer)	54.0100	46.4042	38.7984	31.19
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1528)			
Final Loan Condo (customer)	(6.4147)			
Cust. Type: IRRIGATION				
Distribution (kWh)	1.0170	0.8491	0.6813	0.5134
Distribution (kW)	24.9800	16.6535	8.3267	
Supply (kWh)		-	-	
Supply (Customer)	62.2400	55.3635	48.4869	41.61
Metering (Customer)	87.1400	68.4909	49.8417	31.19
Metering (kWh)		-	-	
Members Contribution for Capital				

Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.2897)			
Final Loan Condo (customer)	(6.5825)			
Cust. Type: PUBLIC BUILDING				
Distribution (kWh)	0.7021	0.6392	0.5763	0.5134
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	45.8800	44.4568	43.0336	41.61
Metering (Customer)	25.6600	27.5043	29.3484	31.19
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1745)			
Final Loan Condo (customer)	(6.4275)			
Cust. Type: STREET LIGHTS				
Distribution (kWh)	0.7072	0.6426	0.5780	0.5134
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	15.1500	23.9701	32.7903	41.61
Metering (Customer)	-	10.3975	20.7951	31.19
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1707)			
Final Loan Condo (customer)	-			
HIGHER VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.5426	0.3617	0.1809	
Distribution (kW)	24.9800	79.9956	135.0112	190.03
Supply (kWh)		-	-	
Supply (Customer)	49.7200	47.0168	44.3136	41.61
Metering (Customer)	54.0100	46.0168	38.7984	31.19
Metering (kWh)				

Members Contribution for Capital Expenditures	-	-	0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.1528)				
Final Loan Condo (customer)	(6.4147)				

18. PRESCO submits that the gradual implementation of the proposed rates for Distribution, Supply and Metering charge would be beneficial to both the customers and the electric cooperative since the 1/3 implementation of the said charges would lessen the impact in the increased rates. However, PRESCO intends to implement in full the rates for Capital Expenditures since this is necessary for the coop to be able to purchase needed materials and equipment in order to rehabilitate and improved its distribution system, finance the necessary expenses to reduce its system loss and other improvements; and

19. PRESCO 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 body where the main office is located and published the Application in its entirety in a newspaper of general circulation in the Province of Pampanga.

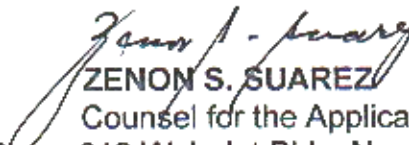
PRAYER

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 PRESCO, as follows:

RATE DESIGN		D	S	M
Residential:	Php/kWh	0.5143	0.5828	0.3669
	Php/Meter/Month			5.0000
CAPEX	Php/kWh	0.2508		
Low Voltage:	Php/kWh	0.5134		
	Php/Cust./Month		41.61	31.19
CAPEX	Php/kWh	0.2508		
Higher Voltage:	Php/kW	190.03		
	Php/Cust./Month		41.61	31.19
CAPEX	Php/kWh	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.

Quezon City for Pasig City, this 26th day of October 2009.


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VERIFICATION/CERTIFICATION

REPUBLIC OF THE PHILIPPINES)
City of San Fernando, Pampanga)S.S.

That I, MR. EFREN M. TONGOL, of legal age, Filipino, married and with office address located at Anao, Mexico, Pampanga, after having been duly sworn to in accordance with law hereby depose and says:

1. That I am the General Manager of Pampanga Rural Electric Service Cooperative, Inc. (PRESCO) duly authorized to represent the cooperative in the filing of Rate Adjustment with ERC;