

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

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
RATES ADJUSTMENT
PURSUANT TO THE NEW
RATE SETTING
METHODOLOGY AS
PROVIDED UNDER
RESOLUTION NO. 20,
DATED SEPTEMBER 23,
2009 WITH PRAYER FOR
PROVISIONAL
AUTHORITY.

ERC CASE NO. 2009-069 RC

CEBU II ELECTRIC
COOPERATIVE, Inc.
(CEBECO II)

Applicant.

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APPLICATION

COMES NOW, APPLICANT Cebu II Electric Cooperative, Inc. (CEBECO II for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. Cebu II Electric Cooperative, Inc. (CEBECO 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 Malingin, Bogó, Cebu where it may be served with summons and other legal processes, represented in this Application by its General Manager, PETER B. SEÑERES, of legal age, Filipino, duly authorized by virtue of Resolution No. 65 dated October 3, 2009, copy of which is attached hereto as annex "A";

The filing of the instant Application is likewise authorized under the same Resolution aforementioned.

2. Applicant has the exclusive right and authority to operate an electric light and power services in the City of Danao, and the Municipalities of Bogó, Medellín, Daanbantayan, San Remigio, Tabogon, Borbon, Sogod, Tabuelan, Tuburan, Catmon, Carmen and Compostela, all in the Province of Cebu by virtue of a Franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645, copy of the Franchise is attached hereto as annex "B";
3. Applicant, on May 2, 2009 passed and approved Resolution No. 30 imploring upon the Energy Regulatory Commission the issuance of a New Methodology in Rate Setting for Electric Cooperatives, and in response thereto, the Commission conducted series of public consultations on this particular and other related concerns. Copy of applicant's Board Resolution no. 30 is attached hereto as Annex "C";
4. Thus, on September 23, 2009, the Honorable Commission issued and approved Resolution No. 20, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under 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);

- The current and existing rate used by Applicant on the customer classes prior to the issuance and approval of the aforesaid Resolution as determined by this Commission based on the 2000 test year is as follows:

Table 1: Schedule of Existing Rates

CEBU II ELECTRIC COOPERATIVE, INC.									
Schedule of Rates									
Effective October 2009 Billing									
		Residential	Commercial	Industrial	Large Load BOMEDCO	Large Load MITSUMI	Large Load DPMill	Public Buildings	Street Lights
Distribution Charges:									
Demand Charge	PhP/kW	0.00	0.00	24.20	42.64	42.64	42.64	0.00	0.00
Distribution System Charge	PhP/kWh	0.9547	0.3003	0.0605				0.4881	0.2063
Supply Charges:									
Retail Customer Charge	PhP/Cust/mo	-	14.35	14.35	14.35	14.35	14.35	14.35	14.35
Supply System Charge	PhP/kWh	0.2216							
Metering Charges:									
Retail Customer Charge	PhP/Cust/mo	5.00	46.60	578.99	1,502.08	1,502.08	1,502.08	21.77	21.77
Metering System Charge	PhP/kWh	0.2587							
Loan Condonation	PhP/kWh	(0.1855)	(0.0450)	(0.0268)	(0.0252)	(0.0252)	(0.0252)	(0.0740)	(0.0340)
Loan Condonation	PhP/Cust/mo		(7.2617)	(84.2836)	(241.1807)	(241.1807)	(241.1807)	(3.6317)	(0.6991)
Lifeline Rate (Discount)Subsidy	PhP/kWh	0.0614	0.0614	0.0614	0.0614	0.0614	0.0614	0.0614	0.0614

- By virtue of the said Resolution No. 20, the Electric Cooperatives are given the privilege and opportunity to adjust their current rates and set new rates for the newly established/revised customer classes in accordance with the provisions of Articles 4, 5 and 6 thereof, which revised customer classification the Applicant is mandated to implement;
- Under the said Resolution No. 20, Article 2, CEBECO II is classified under Group “E” and in accordance with the new rate setting methodology therein provided, the Initial Tariff for its Distribution, Supply and Metering, as well as the amount to be collected as Member’s Contribution for Capital Expenditures

pursuant to the newly established/revised customer classification, are as follows, to wit;

Table 2: Initial Distribution, Supply, Metering Rate Cap

GROUP E

Particulars	Units	Distribution	Supply	Metering	Contribution	Total
Residential	Php/kWh	0.5782	0.6001	0.4326	0.2904	1.9013
	Php/cust/mo			5.0000		5.0000
Low Voltage	Php/kWh	0.7595			0.2904	1.0499
	Php/cust/mo		42.9203	35.9431		78.8634
Higher Voltage	Php/kW	219.6807				219.6807
	Php/kWh				0.2904	0.2904
	Php/cust/mo		42.9203	35.9431		78.8634

8. Thus, following the aforementioned new rate setting methodology, provided under Articles 4, 5 and 6 of Resolution No. 20, Applicant proposes the following Initial DSM Rates during the transition period as follows:

Table 3: Proposed Transition Rates

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Manner of Implementation (50% for DSM Only)	1.0000	0.5000	0.5000	-
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	0.9547	0.7665	0.5782	0.5782
Supply (kWh)	0.2216	0.4108	0.6001	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.2587	0.3457	0.4326	0.4326
Members Contribution for Capital Expenditures (availed in full from start of transition)		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1855)			

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Manner of Implementation (50% for DSM Only)	1.0000	0.5000	0.5000	-
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.3003	0.5299	0.7595	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	46.6000	41.2715	35.9431	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0450)			
Final Loan Condo (customer)	(7.2617)			
Cust. Type: Industrial				
Distribution (kWh)	0.0605	0.4100	0.7595	0.7595
Distribution (kW)	24.2000	12.1000	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	578.9900	307.4665	35.9431	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0268)			
Final Loan Condo (customer)	(84.2836)			
Cust. Type: Public Building				
Distribution (kWh)	0.4881	0.6238	0.7595	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	21.7700	28.8565	35.9431	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0740)			
Final Loan Condo (customer)	(3.6317)			
Cust. Type: Street Lights				
Distribution (kWh)	0.2063	0.4829	0.7595	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	21.7700	28.8565	35.9431	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0340)			
Final Loan Condo (customer)	(0.6991)			

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Manner of Implementation (50% for DSM Only)	1.0000	0.5000	0.5000	-
HIGHER VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.3003	0.1502	-	
Distribution (kW)	-	109.8403	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	46.6000	41.2715	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0450)			
Final Loan Condo (customer)	(7.2617)			
Cust. Type: Industrial				
Distribution (kWh)	0.0605	0.0303	-	
Distribution (kW)	24.2000	121.9403	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	578.9900	307.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0268)			
Final Loan Condo (customer)	(84.2836)			
Cust. Type: Large Load				
Distribution (kWh)	-	-	-	
Distribution (kW)	42.6400	131.1603	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	14.3500	28.6352	42.9203	42.9203
Metering (Customer)	1,502.0800	769.0115	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures (availed in full from start of transition)				
		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0252)			
Final Loan Condo (customer)	(241.1807)			

9. Applicant finds the implementation of the proposed adjusted rates beneficial and for the best interest of its member-consumers, considering that it encourages efficiency in the operation of the Applicant and provides incentives for good performances towards the betterment of services, enhancing further its mandate on rural electrification. Moreover, the rates herein proposed and applied for approval satisfactorily correspond to and in the level of the tariff caps set by the Commission in the aforementioned Resolution No. 20 there being no indicative necessity within the transition period

to go beyond the tariff caps based on applicant's evaluation and determination;

10. Likewise, the rates herein proposed shall help achieve the projected revenue requirements of the Applicant, which under the existing rate is difficult to achieve. Applicant's revenue requirements are hereunder enumerated as follows, to wit:

Table 4: Revenue Requirements

Revenue Requirements	Amount
Distribution	25,436,608
Maintenance	42,451,965
Total Distribution Expenses	67,888,573
Customer and Information Expenses	30,084,170
Administrative & General Expenses	56,946,338
Total Operation & Maintenance Expenses	154,919,082

11. Applicant's Functionalization and Allocation of Cost are hereunder enumerated as follows:

Table 5: Functionalization and Allocation of Costs

Customer	Distribution	Supply	Metering
Residential	38,908,753	40,375,042	33,818,898
Low Voltage	26,601,109	3,562,504	2,984,020
Higher Voltage	8,587,935	43,982	36,840
Total	74,097,797	43,981,527	36,839,758

12. It is further declared and submitted that the new rates herein applied shall in no way adversely affect those classified under the lifeline rates;
13. In compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules on Practice and Procedure, Applicant furnished copies of this Application together with all its annexes the legislative bodies of the Municipality of Bogo

where its office is principally located, as well as the Provincial Board of the Province of Cebu, the Municipality of Bogu being a component municipality thereof as evidenced by the affidavit of service executed by Nikki K. Ledesma an associate under the Office of the General Manager, copy of which is attached hereto as annex "D"; likewise, a copy of the Application was published in the Freeman, a newspaper of general circulation in the franchise area of the Applicant and the Province of Cebu, as evidenced by the Affidavit of Publication executed by the Editor, copy of which is attached hereto as annex "E";

APPLICATION **FOR PROVISIONAL AUTHORITY**

14. The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly from the time its rates were determined by the Commission based on the 2000 test year;
15. With this recognized impropriety of the current rate, an urgent remedy is imperative and should necessarily be implemented;
16. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the new rate herein prayed for shall be granted;
17. The provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline;

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the new rate schedule for Applicant as per new customer classification as follows, to wit:

Table 6: New Rate Schedule

RATE AT THE START OF TRANSITION PERIOD					
TYPE OF CONSUMER	UNITS	RATE DESIGN			
		CAPEX	D	S	M
RESIDENTIAL	PhP/kWh	0.2904	0.7665	0.4108	0.3457
	PhP/Cust./Mo.				5.0000
LOW VOLTAGE:					
<i>Commercial</i>	PhP/kWh	0.2904	0.5299		
	PhP/Cust./Mo.			28.6352	41.2715
<i>Industrial</i>	PhP/kWh		12.1000		
	PhP/kWh	0.2904	0.4100		
	PhP/Cust./Mo.			28.6352	307.4665
<i>Public Building</i>	PhP/kWh	0.2904	0.6238		
	PhP/Cust./Mo.			28.6352	28.8565
<i>Street Lights</i>	PhP/kWh	0.2904	0.4829		
	PhP/Cust./Mo.			28.6352	28.8565
HIGHER VOLTAGE:					
<i>Commercial</i>	PhP/kWh		109.8403		
	PhP/kWh	0.2904	0.1502		
	PhP/Cust./Mo.			28.6352	41.2715
<i>Industrial</i>	PhP/kWh		121.9403		
	PhP/kWh	0.2904	0.0303		
	PhP/Cust./Mo.			28.6352	307.4665
<i>Large Load</i>	PhP/kWh		131.1603		
	PhP/kWh	0.2904			
	PhP/Cust./Mo.			28.6352	769.0115

RATE AT THE END OF YEAR ONE & END OF TRANSITION PERIOD					
TYPE OF CONSUMER	UNITS	RATE DESIGN			
		CAPEX	D	S	M
RESIDENTIAL	PhP/kWh	0.2904	0.5782	0.6001	0.4326
	PhP/Cust./Mo.				5.0000
LOW VOLTAGE	PhP/kWh	0.2904	0.7595		
	PhP/Cust./Mo.			42.9203	35.9431
HIGHER VOLTAGE	PhP/kWh		219.6807		
	PhP/kWh	0.2904			
	PhP/Cust./Mo.			42.9203	35.9431

2. To issue an Order granting Applicant a provisional authority to implement the new rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

Cebu City (for Pasig City), Philippines. October 15, 2009.

SGD. ALAN C. GAVIOLA

Counsel for the Applicant

A.C. GAVIOLA LAW OFFICE

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3rd Ave., North Reclamation Area, Cebu City

PTR No. 8620834; Cebu City; Jan. 26, 2009

IBP O.R. 771063; Cebu City; Jan. 19, 2009

ROLL NO. 30385

MCLE COMPLIANCE I-0014328 Dec. 15, 2008

MCLE COMPLIANCE II-0014329 Dec. 15, 2008

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

I, **PETER B. SEÑERES**, of legal age, Filipino with postal address at CEBECO II, Malingin, Bogo, Cebu having been sworn in accordance with law hereby depose and say:

1. That I am the General Manager of Cebu II Electric Cooperative, Inc., duly authorized to represent the same by virtue of Resolution No. 65 dated October 3, 2009 of the Board of Directors;
2. That I caused the preparation of the foregoing Application, read its contents and found the same true and correct of my own personal knowledge and based on authentic documents;
3. That I, nor the Applicant Electric Cooperative have filed other application or petition of similar nature with he Supreme Court, the Court of Appeals or any divisions thereof, nor with other tribunal or agencies; and if I later know of the existence of any case of similar nature filed or pending with the Supreme Court, the Court of Appeals or any divisions thereof, or any tribunal or agency, I undertake to inform this Commission within five (5) days from knowledge thereof.

IN WITNESS WHEREOF, I have hereunto affix my signature this 15th day of October, 2009 in Cebu City, Philippines.

SGD. PETER B. SEÑERES

SUBSCRIBED AND SWORN TO before me this 15th day of October, 2009 in Cebu City, Philippines. Affiant exhibited to me his Community Tax Certificate No. 04833251 issued at Bogo, Cebu on January 9, 2009 as a means of identifying affiant.

Doc. No. 103 ;
Page No. 21;
Book No. XVI;
Series of 2009.