

**REPUBLIC OF THE PHILIPPINES
ENERGY REGULATORY COMMISSION
SAN MIGUEL AVENUE, PASIG CITY**

**IN THE MATTER OF THE
APPLICATION FOR THE APPROVAL
OF THE NEW UNBUNDLED RATE
WITH PRAYER FOR PROVISIONAL
AUTHORITY.**

ERC CASE No. 2009-074RC

**MARINDUQUE ELECTRIC
COOPERATIVE, INC. (MARELCO) .
Applicant**

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A P P L I C A T I O N

COME NOW Applicant Marinduque Electric Cooperative, Inc., MARELCO for brevity, by and through the undersigned counsel and to this Honorable Commission , most respectfully file its new rate application, as follows:

1. MARINDUQUE ELECTRIC COOPERATIVE, INC., MARELCO, is a non-stock, non-profit electric cooperative organized and existing under and by virtue of the provisions of P. D. 269 as amended, with principal office address located at Ihatub, Boac, Marinduque, represented herein by its General Manager, Eduardo Q. Bueno. hereinafter referred to as MARELCO;
2. MARELCO being an electric cooperative, has been granted by the National Electrification Administration (NEA) a 50-year franchise to distribute electric service to its member-consumers in the Municipalities of Boac, Buenavista, Gasan, Mogpog, Sta. Cruz, and Torrijos, all in the province of Marinduque;
3. That MARELCO has previously unbundled its rates in accordance with the provision of R. A. 9136 but the application thereof was found to be insufficient to sustain its operation and finance its capital investments to fully comply with the

Grid and Distribution Codes, the ten (10) year development programs and the improvement and expansion of its lines to serve all the barangays of its coverage areas in compliance to its mandate of total electrification up to the sitios of its area coverage;

4. That the present rates of MARELCO, as may be shown below, has not been adjusted since the unbundling of its rates, and the adjustments sought herein are intended only to recover the necessary expenses in the operation of MARELCO as a distribution utility; as follows:

Table I – Comparison of Proposed & Existing Rates

CUSTOMER CLASS ¹	PROPOSED RATES	EXISTING RATES	DIFFERENCE
Residential:			
Distribution (Php/kWh)	1.7293	1.4177	0.3116
Supply (Php/kWh)	1.1524	0.7906	0.3618
Metering			
Php/cust./mo. (Php/meter/mo)	5.00	5.00	0
Php/kWh	0.9590	0.4468	0.5122
Rate Reduction-LC (Php/kWh)	0	-0.6389	0.6389
Commercial:			
Distribution (Php/kWh)	1.2979	1.0040	0.2939
Supply (Php/cust./mo.)	45.03	37.99	7.04
Metering (Php/cust./mo.)	42.48	30.74	11.74
Rate Reduction-LC (Php/kWh)	0	-0.3893	3893
Rate Reduction-LC (Php/cust/mo)	0	-6.1820	6.18
Industrial:			
Distribution (Php/kWh)	16.50	17.60	-1.10
Distribution (Php/kWh)	2.0343	0.9096	1.1247
Supply (Php/cust./mo.)	45.03	37.69	7.34
Metering (Php/meter/mo.)	42.48	36.31	6.17
Rate Reduction-LC (Php/kWh)	0	-0.3671	0.3671
Rate Reduction-LC (Php/cust/mo)	0	-5.8961	5.90
Public Buildings:			
Distribution (Php/kWh)	0.9910	0.9887	0.0023
Supply (Php/cust./mo.)	45.03	37.69	7.34
Metering (Php/meter/mo.)	42.48	34.48	8.00
Rate Reduction-LC (Php/kWh)	0	-0.3933	0.3933
Rate Reduction-LC (Php/cust/mo)	0	-5.8961	5.90
Street Lights:			
Distribution (Php/kWh)	0.9785	1.1577	- 0.1792
Supply (Php/cust./mo.)	45.03	37.69	7.34
Metering (Php/meter/mo.)	42.48	33.99	8.49
Rate Reduction-LC (Php/kWh)	0	-0.4935	0.4935
Rate Reduction-LC (Php/cust/mo)	0	-5.8961	5.90
Irrigation/Water System			
Distribution (Php/kWh)	0.1102	0.8362	- 0.7260
Supply (Php/cust./mo.)	45.03	37.69	7.34
Metering (Php/meter/mo.)	42.48	46.22	- 3.74
Rate Reduction-LC (Php/kWh)	0	-0.3395	0.3395
Rate Reduction-LC (Php/cust/mo)	0	-5.8961	5.90

5. That as may be shown below, MARELCO with this application for rate adjustment intends to achieve the proposed revenue requirement needed in order to attain its objective of rendering a more reliable and efficient electric service to all its customers. That said proposed revenue requirement could not be achieved if the same unbundled rates will continue to be used by herein distribution utility;

Table II – Comparison of Revenue Requirement

CUSTOMER CLASS	BILLING DETERMINANTS (ANNUALIZED kWh SALES, NUMBER OF CUSTOMERS AND/OR Kw DEMAND	EXISTING RATES (Php/kWh, Php/cust./mo./Php/kW)	EXISTING	PROPOSED RATES (Php/kWh, Php/cust./mo./Php/kW)	PROPOSED REVENUES
Residential:					
Distribution (Php/kWh)	KWh 15,680,324	1.4177	22,229,995	1.7293	27,115,773
Supply (Php/kWh)	Customers 33,439	0.7906	12,396,864	1.1524	18,069,873
Metering Php/cust./mo (Php/meter/mo)		5.00	2,006,340	5.00	2,006,340
Php/kWh		0.4468	7,005,969	0.9590	15,037,800
Rate Reduction-LC (Php/kWh)		-0.6389	(10,018,159)	0	0
Commercial:					
Distribution (Php/kWh)	KWh 3,293,523	1.0040	3,306,697	1.2979	4,274,730
Supply (Php/cust./mo)	Customers 2,157	37.99	983,333	45.03	1,165,606
Metering (Php/meter/mo)		30.74	795,674	42.48	1,099,441
Rate Reduction-LC (Php/kWh)		-0.3893	(1,282,168)	0	0
Rate Reduction-LC (Php/cust/kWh)		-6.1820	(160,015)	0	0
Industrial:					
Distribution (Php/kWh)	kWh 1,271,590	17.60	186,912	16.50	175,230
Distribution (Php/kWh)	Customers 167	0.9096	1,156,638	2,0343	2,586,791
Supply (Php/cust./mo)	kW (Demand) 10,620	37.69	75,531	45.03	90,244
Metering(Php/meter/mo)		36.31	72,765	42.48	85,121
Rate Reduction-LC (Php/kWh)		-0.3671	(466,801)	0	0
Rate Reduction-LC (Php/cust./mo)		-5.8961	(11,816)	0	0
Public Buildings:					
Distribution (Php/kWh)	kWh 2,708,704	0.9887	2,678,095	0.9910	2,684,428
Supply (Php/cust./mo)	Customers 925	37.69	418,359	45.03	499,854
Metering (Php/meter/mo)		34.48	382,728	42.48	471,480
Rate Reduction-LC (Php/kWh)		-0.3933	(1,065,333)	0	0
Rate Reduction-LC (Php/cust./mo)		-5.8961	(65,447)	0	0
Street Lights:					
Distribution (Php/kWh)	kWh 396,656	1.1577	459,209	0.9785	388,121
Supply (Php/cust./mo)	Customer 124	37.69	56,083	45.03	67,008
Metering (Php/meter/mo)		33.99	50.577	42.48	63,204

Rate Reduction-LC (Php/kWh)	Metered	124	-0.4935	(195,750)	0	0
Rate Reduction-LC (Php/kWh)			-5.8961	(8,773)	0	0
Irrigation/ Water System:						
Distribution (Php/kWh)	kWh	644,550	0.8362	538,973	0.1102	71,026
Supply (Php/cust/mo)	Customers	90	37.69	40,705	45.03	48,634
Metering (Php/meter/mo)			46.22	49,918	42.48	45,874
Rate Reduction-LC (Php/kWh)			-0.3395	(218,825)	0	0
Rate Reduction-LC (Php/cust/mo)			-5.8961	(6,368)	0	0
TOTAL		23,995,346		41,391,910		76,046,578
Difference in Revenues (Proposed Existing)		P 34,654,667.00				

6. That shown hereunder is Table III which shows the Summary of Proposed Revenue Requirement per Cost of Component, as follows:

Table III – Summary of Proposed Revenue Requirement per Cost Component

PROPOSED REVENUE REQUIREMENT			
Particulars	Total Company (PhP) (1)	Electric Adjustment (PhP) (2)	Proposed Revenue Requirement (PhP) (1) + (2)
Payroll	24,792,778	2,817,780	27,610,558
Operation & Maintenance (Less Fuel, PP & Payroll)	18,001,683	5,187,537	23,189,220
ECs Debt Service	20,242,412	0	20,242,412
Less: ORI (Other Revenue Items)	2,304,882	0	2,304,882
Add: CAPEX Fund (for ECs)	7,309,270	0	7,309,270
TOTAL REVENUE REQUIREMENT	68,041,261	8,005,317	76,046,578
Total Rate Base (For PUs Only)			

The Justification or Reasons for the Electric Adjustments are as follows:

Payroll - increase was due to Wage Order No. IV-13-04 dated May 21, 2008, and implementation of benefits and Salary upgrading of officers and employees as approved by NEA which requires annualization of the cost provided in the audited Financial Statement

Operation & Maintenance Expenses

- Adjustment was due to increase in gasoline prices, increase in prices of supplies and services since year 2004 up to the present.

- Provision for Retirement Benefits of employees;

- Payment of Taxes on Real Properties of the cooperative

Depreciation and Amortization

- The Adjustments are due to additions/ retirement of assets and appraisal increase

Return on Rate Base

- The Adjustments are due to increase in Rate Base

Rate Base

- The Adjustments are due to additions/retirement of assets and appraisal increases

- Movement of the cash working capital

- Completion of Construction work in progress as of December 2008

- Increase in cost of materials and supplies

Debt Service

- Adjustment to reflect actual amortization consistent with the NEA loan profile ending December 2008

Increase in CAPEX Fund

- Cost of the approved CAPEX projects cannot be financed merely by the 5% reinvestment fund. Hence, the DU may propose a higher percentage of Reinvestment fund to fully cover the capital cost of the projects.

7. That applicant has likewise adopted and applied the Uniform Filing Requirements Model in the Functionalization and Allocation Cost in arriving at the Revenue Summary as may be shown by Table IV hereunder, as follows:

Table IV – Revenue Summary per Customer Class and Function

Customer Class	Total Revenue	Distribution Related Revenue	Supply Related Revenue	Metering Related Revenue
Residential	62,229,786	27,115,773	18,069,873	17,044,140
Commercial	6,539,777	4,274,730	1,165,606	1,099,441
Industrial	2,937,386	2,762,021	90,244	85,121
Public Buildings	3,655,762	2,684,428	499,854	471,480
Street Lights	518,332	388,121	67,008	63,204
Irrigation/ Water System	165,534	71,026	48,634	45,874
TOTAL	76,046,578	37,296,097	19,941,220	18,809,260

8. That applicant has already fully implemented its unbundled rates including the implementation of the Inter-Class Cross subsidy pursuant to Section 74 of R. A. 9136, and Section 5 of the IRR.
9. That MARELCO, in compliance with the mandate of R.A. 9136, has likewise adopted Lifeline rates and various discounts for certain levels of consumption and the corresponding percentage of residential/lifeline customers who could benefit from said Lifeline Discounts, as follows:

Table V – Lifeline kWh Consumption Level and Discount

kWh Consumption	Level of Discount (Sample)
0-15 kWh	50%
16 kWh	40%
17 kWh	30%
18 kWh	20%
19 kWh	10%
20 kWh	5%

10. That MARELCO in support of its application for rate adjustment has prepared and hereby submit the following documents attached to this application which may be enumerated as follows:

SCHEDULE A – Historical Cost by function year ending December 31, 2008
 SCHEDULE C – Cost of Capital
 SCHEDULE D – Functionalization Factors
 SCHEDULE E - Cost and Allocation by Customer Class year ending December 31, 2008
 SCHEDULE F – Revenue Summary
 SCHEDULE G – Proof of Revenue Statement
 SCHEDULE H – Computation if Inter-Class Cross Subsidies
 SCHEDULE I – Weight for the Number of Meters

TABLES: 1. Plantilla Position
 1a. Payroll Computation

- 1b. Schedule of Salaries of Employees
- 1c. Allowances and Benefits of Officers and Employees
- 1d. Pensions and Benefits
2. Schedule of Operation and Maintenance Expenses
3. Breakdown of Operation and Maintenance Expenses
4. Other Revenue Items
Cash Working Capital
5. Reinvestment Fund
Frequency Distribution
6. Actual Billing Demand
7. Average Cost of Meters
8. Computation of Demand-Customer Split

SUPPORTING DOCUMENTS:

- a. Trial Balance for the Year Ending December 31, 2008
- b. Schedule of Utility Plant in Service and Accumulated Depreciation
- c. Debt Service as December 31, 2008 and up to March 31, 2009
- d. Summary of Completed Projects not yet Closed-out
- e. Rate Schedule for the month of December, 2008
- f. Top Twenty (20) Uncollectible Accounts
- g. Lifeline Rate Over/Under Recovery
- h. Technical Data/Reports
- i. Summary of Capital Expenditures/System Loss Reduction Plan
- j. Auditor's Report – December 31, 2008
- k. Board Resolution/NEA Memos and other Issuances
- l. Cash Operating Budget – Year 2008
- m. NPC Power Bills
- n. MFSR as of January 2008 up to December 2008;
- o. AGRA – January 2008 to December 2008;
- p. Contract of outside Service
- q. Assessment of Real Property Taxes

PRAYER

WHEREFORE, its respectfully prayed that this application be given due course and that in the meantime, a PROVISIONAL AUTHORITY be immediately issued to implement the following proposed charges per Customer Class:

Table VI – Proposed Charges per Customer Class

Particulars	Customer Class					
	Residential	Commercial	Industrial	Public Building	Street Lights	Water System
Distribution (Peso/kWh)	1.7293	1.2979	2.0343	0.9910	0.9785	0.1102
Distribution Demand Charge (PhP/kW)			16.50			
Supply (Php/kWh)	1.1524					
Supply (PhP/cust./Mo.)		45.03	45.03	45.03	45.03	45.03
Metering (Peso/kWh)	0.9590					
Metering (Peso/Cust./Mo.)	5.00	42.48	42.48	42.48	42.48	42.48

That after due notice and hearing, the foregoing charges/rates applied for be made permanent.

Such other relief/s just and equitable in the premises are likewise prayed for.

Quezon City for Pasig City this 31st day of July, 2009.

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