

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. 2009-076RC

**CAGAYAN 1 ELECTRIC
COOPERATIVE, Inc.
(CAGELCO 1)**

Applicant.

x-----x

A P P L I C A T I O N

COMES NOW, applicant **CAGAYAN 1 ELECTRIC COOPERATIVE, INC.** (**CAGELCO 1** for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. CAGELCO 1 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 Maddarulug, Solana, Cagayan where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Tito R. Lingan, of legal age, Filipino and with office address also at the CAGELCO 1 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 Cagayan, namely: Tuguegarao, Amulung, Alcala, Baggao, Enrile, Iguig, Penablanca, Piat, Rizal, Solana, Sto. Nino, and Tuao;

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. CAGELCO 1 participated in the abovementioned public consultations, and has submitted data/documents required by the ERC during the drafting of said rules;

7. Said regulatory framework is now embodied in the *Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)*;

8. 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;

9. On _____, 2009, CAGELCO 1's Board of Directors passed Board Resolution No. _____s. 2009 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 September 22, 2009 which was published in the Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, CAGELCO 1 was categorized under Group "E";

12. As a Group "E" EC, CAGELCO 1's Operating Revenue Requirement (ORR) per kWh as determined in the methodology embodied in the RSEC-WR is PhP 1.3200;

13. Further, CAGELCO 1 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
Irrigation/Communal Water	
Public Building	
Industrial	
Street Lights	
Industrial	Higher Voltage Customers
Commercial	
Communal Water System	
Public Building	

14. After functionalizing and allocating the above set ORR and using the new customer class, CAGELCO 1's initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Table 2. Initial DSM Rate Caps Per Customer Class

Group E	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo	PhP/kWh	PhP/cust/mo	PhP/kW	PhP/kWh	PhP/cust/mo
Distribution	0.5782		0.7595		219.68		
Supply	0.6001			42.92			42.92
Metering	0.4326	5.00		35.94			35.94

15. As a Group "E" EC CAGELCO 1 is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP 0.2904/kWh;

16. Considering the abovementioned rates, CAGELCO 1's rate caps would be as follows: 1.) DSM – P 1.3200; and 2.) MCC – 0.2904;

Group E	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo	PhP/kWh	PhP/cust/mo	PhP/kW	PhP/kWh	PhP/cust/mo
Distribution	0.5782		0.7595		219.68		

Supply	0.6001			42.92			42.92
Metering	0.4326	5.00		35.94			35.94
Member's Contribution for CAPEX	.2904		.2904			.2904	

17. CAGELCO 1 intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

E Name: CAGAYAN 1 ELECTRIC COOPERATIVE, INC.		Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		1.0000	0.3333	0.3333	0.3333
RESIDENTIAL					
Cust. Type: Residential					
Distribution (kWh)		0.8100	0.7327	0.6555	0.5782
Supply (kWh)		0.5129	0.5420	0.5710	0.6001
Metering (Customer)		5.0000	5.0000	5.0000	5.0000
Metering (kWh)		0.1361	0.2349	0.3338	0.4326
Members Contribution for Capital					
Expenditures			0.2904	0.2904	0.2904
Final Loan Condo (kWh)		-			
SUB-TOTAL					
LOW VOLTAGE					
Cust. Type: Commercial					
Distribution (kWh)		0.3680	0.4985	0.6290	0.7595
Distribution (kW)		-	-	-	-
Supply (kWh)		-	-	-	-
Supply (Customer)		34.2300	37.1268	40.0235	42.9203
Metering (Customer)		14.0800	21.3677	28.6554	35.9431
Metering (kWh)		-	-	-	-
Members Contribution for Capital					
Expenditures			0.2904	0.2904	0.2904
Final Loan Condo (kWh)		-			
Final Loan Condo (customer)		-			
Cust. Type: Irrigation/CWS					
Distribution (kWh)		0.2888	0.4457	0.6026	0.7595
Distribution (kW)		-	-	-	-
Supply (kWh)		-	-	-	-
Supply (Customer)		34.2300	37.1268	40.0235	42.9203
Metering (Customer)		14.0800	21.3677	28.6554	35.9431
Metering (kWh)		-	-	-	-
Members Contribution for Capital					
Expenditures			0.2904	0.2904	0.2904
Final Loan Condo (kWh)		-			
Final Loan Condo (customer)		-			
Cust. Type: Public Building					
Distribution (kWh)		0.5188	0.5990	0.6793	0.7595
Distribution (kW)		-	-	-	-
Supply (kWh)		-	-	-	-
Supply (Customer)		34.2300	37.1268	40.0235	42.9203
Metering (Customer)		14.0800	21.3677	28.6554	35.9431
Metering (kWh)		-	-	-	-
Members Contribution for Capital					
Expenditures			0.2904	0.2904	0.2904
Final Loan Condo (kWh)		-			
Final Loan Condo (customer)		-			

Cust. Type: Street Lights				
Distribution (kWh)	2.3842	1.8426	1.3011	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	33.4600	36.6134	39.7669	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			
Cust. Type: Industrial				
Distribution (kWh)	0.4080	0.5252	0.6423	0.7595
Distribution (kW)	16.5000	11.0000	5.5000	
Supply (kWh)	-	-	-	-
Supply (Customer)	34.2300	37.1268	40.0235	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			
SUB-TOTAL				
HIGHER VOLTAGE				
Cust. Type: Communal Water System				
Distribution (kWh)	0.2888	0.1925	0.0963	
Distribution (kW)	-	73.2269	146.4538	219.6807
Supply (kWh)	-	-	-	-
Supply (Customer)	34.2300	37.1268	40.0235	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			
Cust. Type: Industrial				
Distribution (kWh)	0.4080	0.2720	0.1360	
Distribution (kW)	16.5000	84.2269	151.9538	219.6807
Supply (kWh)	-	-	-	-
Supply (Customer)	34.2300	37.1268	40.0235	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			
Cust. Type: Commercial				
Distribution (kWh)	0.3680	0.2453	0.1227	
Distribution (kW)	-	73.2269	146.4538	219.6807
Supply (kWh)	-	-	-	-
Supply (Customer)	34.2300	37.1268	40.0235	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			
Cust. Type: Public Building				
Distribution (kWh)	0.5188	0.3459	0.1729	
Distribution (kW)	-	73.2269	146.4538	219.6807
Supply (kWh)	-	-	-	-
Supply (Customer)	34.2300	37.1268	40.0235	42.9203
Metering (Customer)	14.0800	21.3677	28.6554	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-			
Final Loan Condo (customer)	-			

18. CAGELCO 1 submits that the implementation of the proposed rates would be to the best interest of its consumers as this will encourage the cooperative to improve its efficiency, achieve self-reliance and financial independence, and be able to comply with the mandate of the EPIRA to deliver efficient, reliable and quality service to its consumers. Further, CAGELCO I has chosen to implement its DSM rates on a three-staggered basis (1/3; 1/3; 1/3) so as not to burden its consumers, and 100% of the CAPEX rate (P0.2904/kwh) in as much as the cooperative's existing CAPEX rate is P0.4506 per kwh.

19. CAGELCO 1 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 Cagayan and the Sangguniang BAyan of Solana, and published the Application in its entirety in a newspaper of general circulation in the Province of Cagayan.

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
- 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 CAGELCO 1, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN		
		Distribution	Supply	Metering
Residential	PhP/kWh	0.5782	0.6001	0.4326
	PhP/Meter/Mo			5.00
CAPEX	PhP/kWh	0.2904		
Low Voltage	PhP/kWh	0.7595		
	PhP/Cust/Mo		42.92	35.94
CAPEX	PhP/kWh	0.2904		
Higher Voltage	PhP/kW	219.68		
	PhP/Cust/Mo		42.92	35.94
CAPEX	PhP/kWh	0.2904		

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.

Pasig City, 21 October 2009.

DECHAVEZ SAGAYO & LERIOS AMBOY
LAW OFFICES
Counsel for CAGELCO I
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Pearl Drive, Ortigas Center, Pasig City, Metro Manila

By:

DITAS A. LERIOS-AMBOY
Roll No. 40628
PTR No. 5098945, Jan 5, 2009 Pasig
IBP No. 767996, Jan 5, 2009 Rizal
MCLE Compliance II Cert. No. 0003158 feb. 28, 2008

Republic of the Philippines)
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**VERIFICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

I, Engr. Tito R. Lingan, of legal age, Filipino and with office address at the Main Office of Cagayan Electric Cooperative, Inc. (CAGELCO I), with Maddarlug, Solana, Cagayan, after being sworn to according to law, depose and state that:

1. I am the General Manager of Cagayan I Electric Cooperative, Inc. (CAGELCO I);

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 CAGELCO I;

3. CAGELCO 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 October, 2009 at _____.

ENGR. TITO R. LINGAN
Affiant

SUBSCRIBED AND SWORN to before me in _____, this ____ day of October 2009 by the affiant who exhibited to me _____.

Notary Public

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