

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

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

ERC CASE NO. 2009-082RC

**ZAMBOANGA DEL SUR I
ELECTRIC COOPERATIVE, INC.
(ZAMSURECO-I)**

Applicant.

x-----x

A P P L I C A T I O N

COMES NOW, applicant **ZAMBOANGA DEL SUR I ELECTRIC SERVICE COOPERATIVE, INC. (ZAMSURECO-I)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ZAMSURECO-I 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 Alano Street, Pagadian City, where it may be served with summons and other legal processes, represented in this instance by its General Manager, **JOSE RAUL A. SANIEL**, of legal age, Filipino and with office address also at ZAMSURECO-I 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 Zamboanga del Sur, namely: Pagadian City, Tukuran, Labangan, Dumalinao, Tigbao, Tambulig, Molave, Mahayag, Dumingag, Josefina, Aurora, Ramon Magsaysay, Sominot, Midsalip, San Pablo, Guipos, San Miguel, Lapuyan, Margosatubig, V. Sagun, Dinas, Dimataling, Tabina, Pitogo and Don Victoriano of the province of Misamis Occidental;
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) authorize the Energy Regulatory Commission (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. ZAMSURECO-I participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the 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 04 May 2009, ZAMSURECO-I Board of Directors passed Board Resolution No. 028, Series 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 became effective fifteen (15) days following its publication in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, **ZAMSURECO-I** is categorized under Group "E";
12. As a Group "E" EC, **ZAMSURECO-I**'s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 1.32;
13. Further, **ZAMSURECO-I** 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
COMMERCIAL	LOW VOLTAGE CUSTOMERS
INDUSTRIAL	
PUBLIC BUILDING	
WATER SYSTEM	
STREET LIGHTS	
INDUSTRIAL	HIGHER VOLTAGE CUSTOMERS
COMMERCIAL	
WATER SYSTEM	
PUBLIC BUILDING	

14. After functionalizing and allocating its ORR and using the new customer class, **ZAMSURECO-I**'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	
	P/KWH	P/Meter/Mo.	P/KWH	P/CUST/Mo.	P/KW	P/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, **ZAMSURECO-I** is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP0.2904 /kWh;

16. Considering the abovementioned rates, **ZAMSURECO-I**'s rate caps would be as follows: 1.) DSM – 1.32; and 2.) MCC – 0.2904;

GROUP E	RESIDENTIAL		LOW VOLTAGE		HIGHER VOLTAGE		
	P/KWH	P/Meter/Mo.	P/KWH	P/CUST/Mo.	P/KW	P/KWH	P/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
CAPEX	0.2904		0.2904			0.2904	

17. **ZAMSURECO-I** intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates @1/3 DSM and 100% CAPEX

GROUP: E				
Name: ZAMSURECO-I				
	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1	0.3333	0.3333	0.3334
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	1.0246	0.8758	0.7270	0.5782
Supply (kWh)	0.3985	0.4657	0.5329	0.6001
Metering (Customer)	5.00	5.00	5.00	5.00
Metering (kWh)	0.4717	0.4587	0.4456	0.4326
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1785			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.7945	0.7828	0.7712	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	28.54	33.333	38.1259	42.9203
Metering (Customer)	37.37	36.8944	36.4188	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1049			
Final Loan Condo (customer)	-2.9888			
Cust. Type: Public Building				
Distribution (kWh)	0.8528	0.8217	0.7906	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	28.67	33.4196	38.1693	42.9203
Metering (Customer)	37.37	36.8944	36.4188	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904

Final Loan Condo (kWh)	-0.1127			
Final Loan Condo (customer)	-2.9894			
Cust. Type: Water System/Irrigation				
Distribution (kWh)	0.6689	0.6991	0.7293	0.7595
Distribution (kW)	19.80	13.2007	6.6013	
Supply (kWh)		-	-	
Supply (Customer)	46.49	45.3002	44.1104	42.9203
Metering (Customer)	165.95	122.6187	79.2874	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.0952			
Final Loan Condo (customer)	-5.3102			
Cust. Type: Street Lights				
Distribution (kWh)	1.785	1.4432	1.1014	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	28.40	33.2396	38.0792	42.9203
Metering (Customer)	56.56	49.6884	42.8168	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1728			
Final Loan Condo (customer)	-0.8184			
Cust. Type: Industrial				
Distribution (kWh)	0.8198	0.7997	0.7796	0.7595
Distribution (kW)	19.80	13.2007	6.6013	
Supply (kWh)		-	-	
Supply (Customer)	48.22	46.4536	44.6872	42.9203
Metering (Customer)	165.95	122.6187	79.2874	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1156			
Final Loan Condo (customer)	-5.3214			
HIGHER VOLTAGE				

Cust. Type: Industrial				
Distribution (kWh)	0.8198	0.5466	0.2733	
Distribution (kW)	19.80	86.4202	153.0405	219.6807
Supply (kWh)		-	-	
Supply (Customer)	48.22	46.4536	44.6872	42.9203
Metering (Customer)	165.95	122.6187	79.2874	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1156			
Final Loan Condo (customer)	-5.3214			
Cust. Type: Commercial				
Distribution (kWh)	0.7945	0.5297	0.2649	
Distribution (kW)	-	73.2196	146.4391	219.6807
Supply (kWh)		-	-	
Supply (Customer)	28.54	33.333	38.1259	42.9203
Metering (Customer)	37.37	36.8944	36.4188	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures	-	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1049			
Final Loan Condo (customer)	-2.9888			
Cust. Type: Water System				
Distribution (kWh)	0.6689	0.446	0.223	
Distribution (kW)	19.80	86.4202	153.0405	219.6807
Supply (kWh)		-	-	
Supply (Customer)	46.49	45.3002	44.1104	42.9203
Metering (Customer)	165.95	122.6187	79.2874	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures	-	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.0952			
Final Loan Condo (customer)	-5.3102			
Cust. Type: Public Building				
Distribution (kWh)	0.8528	0.5686	0.2843	
Distribution (kW)	-	73.2196	146.4391	219.6807
Supply (kWh)		-	-	
Supply (Customer)	28.67	33.4196	38.1693	42.9203
Metering (Customer)	37.37	36.8944	36.4188	35.9431
Metering (kWh)		-	-	

Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	-0.1127			
Final Loan Condo (customer)	-2.9894			

18. **ZAMSURECO-I** submits that the implementation of the proposed rates would work to the best interest of its consumers as it would greatly enhance efficiency, reliability, and quality of service to be provided by the Cooperative to its consumers thus, resulting in the reduction of electricity rates.

Further, **ZAMSURECO-I** has chosen to implement the proposed rates at 1/3 DSM and 100% CAPEX at the start of the transition period in order not to impose sudden burden and soften the impact of the rate increase to its consumers as well as allow the Cooperative to immediately implement CAPEX-related projects to upgrade and rehabilitate its powerline network, and procure tools and equipment essential in the reduction of the Cooperative's system loss.

19. **ZAMSURECO-I** 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 the Province of Zamboanga del Sur and the Sangguniang Bayan of Pagadian City and published the Application in its entirety in a newspaper of general circulation in the Province of Zamboanga del Sur.

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 **ZAMSURECO-I**, as follows:

TYPE OF CONSUMERS	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/kWh	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.

Other reliefs, just and equitable in the premises are likewise prayed for .

Pasig City, Metro Manila, October 12, 2009.

**DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES**

Counsel for ZAMSURECO-I
Units 1609-1610 Tycoon Centre
Pearl Drive Ortigas Center
Pasig City, Metro Manila

By:



DITAS A. LERIOS-AMBOY

Roll No. 40628

MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008

PTR#5098945 Jan. 5, 2009 Pasig

IBP# 767996 Jan. 5, 2009 Rizal

Republic of the Philippines)

) SS.

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

I, **JOSE RAUL A. SANIEL** of legal age, Filipino and with office address at the Main Office of Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO-I), after being sworn to according to law, depose and state that:

1. I am the General Manager of Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO-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 ZAMSURECO-I;

3. ZAMSURECO-I 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 24th day of October, 2009 at Pagadian City.

JOSE RAUL A. SANIEL
Affiant

SUBSCRIBED AND SWORN to before me in Pagadian City, this 24th day of October 2009 by the affiant who exhibited to me his CTC # 22883105 issued at Pagadian City and with validity until December 31, 2009.

Doc. No. ; 248
Page No. ; 50
Book No. ; LXII
Series of 2009.

Notary Public

IGNACIO C. BAYA
PTR NO. 1535648, Issued on January 6, 2009 at
Pagadian City