

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

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

ERC CASE NO. 2009-084RC

SIARGAO ELECTRIC  
COOPERATIVE, Inc.  
(SIARELCO)

Applicant.

x-----x

**A P P L I C A T I O N**

**COMES NOW**, applicant SIARGAO ELECTRIC COOPERATIVE, INC.  
(SIARELCO ), through the undersigned counsel, and unto this Honorable  
Commission, most respectfully states:

1. SIARELCO 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 Catabaan, Dapa, Surigao del Norte, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Mr. Sergio C. Dagooc, of legal age, Filipino and with office address also at SIARELCO Office, Catabaan Dapa, Surigao del Norte.

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Commission (NEC) with Certificate No. 122 to operate an electric light and power services in the municipalities of the Province of Surigao del Norte, namely: Burgos, Dapa, Del Carmen, Gen. Luna, Pilar, San Benito, San Isidro, Sta.Monica and Socorro;
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 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. SIARELCO participated in the abovementioned public consultations, and submitted data/documents required by the ERC during the drafting of the said Rules ;
7. Said regulatory framework is now embodied in the new 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 June 27, 2009 SIARELCO's Board of Directors passed Board Resolution No. 50, 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, SIARELCO is categorized under Group "A";

12. As a Group "A" EC, SIARELCO's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP2.42.

13. Further, SIARELCO 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
Small Commercial	Low Voltage Customers
Public Building	
Street Lights	

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

**Table 2. Initial DSM Rate Caps Per Customer Class**

Group A	Residential		Low Voltage		Higher Voltage	
	PhP/kwh	PhP/meter/mo	PhP/kwh	PhP/Cust/Mo.	Php/kw	Php/Cust/mo
Distribution	1.0557		1.1577		302.511	
Supply	1.0282			42.82		42.82
Metering	0.5792	5.00		29.12		29.12

15. As a Group "A" EC, SIARELCO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP0.5324 /kWh;

16. Considering the abovementioned rates, SIARELCO's rate caps would be as follows: 1.) **DSM 2.42**; and 2.) **MCC .5324**;

GROUP A	Residential		Low Voltage		Higher Voltage		
	PhP/Kwh	PhP/meter/mo.	PhP/kwh	PhP/Cust/Mo.	PhP/Kwh	PhP/Kw	PhP/Cust/Mo.
Distribution	1.0557		1.1577			302.51	
Supply	1.0282			42.82			42.82
Metering	0.5792	5.00		29.12			29.12
Member's Cont. for CAPEX	0.5324		0.5324		0.5324		0

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

**Table 3. Proposed Transition Rates**

<b>A</b>					
<b>Name: SIARELCO</b>					
		<b>Rates Billed</b>			
		<b>Current</b>	<b>Start of Transition</b>	<b>End of Year one</b>	<b>End of Transition</b>
<b>Percentage increase</b>	<b>1.0000</b>	<b>0.2000</b>	<b>0.3000</b>	<b>0.5000</b>	
<b>RESIDENTIAL</b>					
<b>Cust. Type: Residential</b>					
<b>Distribution (kWh)</b>	<b>1.5431</b>	<b>1.4456</b>	<b>1.2994</b>	<b>1.0557</b>	

Supply (kWh)	1.7800	1.6296	1.4041	1.0282
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4081	0.4423	0.4936	0.5792
Members Contribution for Capital Expenditures		0.5324	0.5324	0.5324
Final Loan Condo (kWh)	(1.2091)			
<b>SUB-TOTAL</b>				
<b>LOW VOLTAGE</b>				
<b>Cust. Type: Commercial</b>				
Distribution (kWh)	1.2786	1.2544	1.2181	1.1577
Distribution (kW)	-	-	-	
Supply (kWh)	0.1615	0.1292	0.0808	
Supply (Customer)	32.1800	34.3083	37.5008	42.8215
Metering (Customer)	10.0000	13.8244	19.5610	29.1221
Metering (kWh)	0.1090	0.0872	0.0545	
Members Contribution for Capital Expenditures		0.5324	0.5324	0.5324
Final Loan Condo (kWh)	(1.0523)			
Final Loan Condo (customer)	(2.5039)			
<b>Cust. Type: Public Bldgs.</b>				
Distribution (kWh)	1.3737	1.3305	1.2657	1.1577
Distribution (kW)	-	-	-	
Supply (kWh)	0.2216	0.1773	0.1108	
Supply (Customer)	31.4400	33.7163	37.1308	42.8215
Metering (Customer)	10.0000	13.8244	19.5610	29.1221
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.5324	0.5324	0.5324
Final Loan Condo (kWh)	(1.1524)			
Final Loan Condo (customer)	(2.5039)			

<b>Cust. Type: street lights</b>				
<b>Distribution (kWh)</b>	1.1999	1.1915	1.1788	1.1577
<b>Distribution (kW)</b>	-	-	-	
<b>Supply (kWh)</b>	0.2178	0.1742	0.1089	
<b>Supply (Customer)</b>	31.4400	33.7163	37.1308	42.8215
<b>Metering (Customer)</b>	-	13.8244	19.5610	29.1221
<b>Metering (kWh)</b>	-	-	-	
<b>Members Contribution for Capital Expenditures</b>		0.5324	0.5324	0.5324
<b>Final Loan Condo (kWh)</b>	(1.0173)			
<b>Final Loan Condo (customer)</b>	(2.3945)			

18. SIARELCO is applying for the implementation of the proposed rates as it strongly believes that this will pave the way to developing its efficiency and eventually achieve self-reliance and financial independence. It has chosen to implement the proposed rates during the Transition Period as follows:

a) The full amount of the capex rates at the start of the transition period in order to obtain the needed revenue requirement for capex that can be used in the payment of its amortization to National Electrification Administration (NEA) for its approved capital projects funding requirements for its three (3) year capital projects which will start 2010;

and b) Its Distribution, Supply and Metering Tariff be set at Twenty percent (20%) of the maximum allowable DSM rates under its Group as its rate in the initial implementation, additional Thirty Percent (30%) for the second year and Fifty Percent (50%) balance be implemented in the third year of the transition period. This manner of implementation of its DSM rates during the transition period was chosen to lessen the effect of the adjustment towards the initial tariff. .

19. SIARELCO 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 Surigao Del Norte and the Sangguniang Bayan of Dapa, Surigao del Norte and published the Application in its entirety in a newspaper of general circulation in the Province of Surigao del Norte.
  
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. Certification of the concerned local Sangguniangs;
  - 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 and 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 SIARELCO, as follows:

TYPE OF CUSTOMER	UNITS	RATE DESIGN		
		D	S	M
RESIDENTIAL	PhP/kwh	1.0557	1.0282	0.5792
	PhPCust./mo			5.00
CAPEX	PhP/kwh	0.5324		
LOW VOLTAGE	PhP/kwh	1.1577		
	PhP/Cust/Mo		42.82	29.12
CAPEX	PhP/kwh	0.5324		

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 SIARELCO  
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 )  
Province of Surigao del Norte)

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

I, **SERGIO C. DAGOOC** of legal age, Filipino and with office address at the Main Office of Siargao Electric Cooperative, Inc. (SIARELCO), Dapa, Surigao del Norte, after being sworn to according to law, depose and state that;

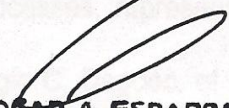
1. I am the General Manager of Siargao Electric Cooperative, Inc. (SIARELCO);
2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records of Siargao Electric Cooperative, Inc.
3. Siargao Electric Cooperative, Inc. 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 19<sup>th</sup> day of October, 2009 at Dapa, Surigao del Norte.

  
SERGIO C. DAGOOC

Affiant

SUBSCRIBED AND SWORN to before me in Dapa, Surigao del Norte, this 19<sup>th</sup> day of October, 2009 by the affiant who exhibited to me his CTC No. 23861371 issued at Dapa, Surigao del Norte on January 5, 2009.

  
**ATTY. EDGAR A. ESPARRAGO**  
Notary Public  
Notary Public  
until December 31, 2010  
IBP No. 679, 44 D.F. 08  
PTR No. 1109 29 D.F. 09  
Roll No 3864

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