

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

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

ERC CASE NO. 2009-085RC

QUEZON II ELECTRIC COOPERATIVE,
Inc. (QUEZELCO II)

Applicant.

x-----x

A P P L I C A T I O N

COMES NOW, applicant QUEZON II ELELCTRIC COOPERATIVE, INC. (QUEZELCO II for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. QUEZELCO 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 Brgy. Gumian Infanta, Quezon, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Victor R. Cada, of legal age, Filipino and with office address also at QUEZELCO II 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 Quezon, namely: Infanta, Real, Gen. Nakar, Polillo, Patnanungan, Panukulan, Burdeos and Jomalig;
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. QUEZELCO II participated in the abovementioned public consultations, it has likewise submitted data/documents required by the ERC for purposes of implementing said rules;
7. Said regulatory framework is now embodied 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 April 30, 2009, QUEZELCO II's Board of Directors passed Board Resolution No. 24-B, 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 and the same was published on September 24, 2009;
11. Under the RSEC-WR, QUEZELCO II was categorized under Group "A";
12. As a Group "A" EC, QUEZELCO II's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PHP2.4200;
13. Further, QUEZELCO II 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
Industrial	
Public Building	
Street Lights	
Water System	
	Higher Voltage Customers

14. After functionalizing and allocating its ORR and using the new customer class, QUEZELCO II'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		302.51	
Supply	1.0282			42.82		42.82
Metering	0.5792	5.00		29.12		29.12

15. As a Group "A" EC, QUEZELCO II 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, QUEZELCO II's rate caps would be as follows:
 1.) DSM 2.4200; and 2.) MCC 0.5324;

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		302.51	
Supply	1.0282			42.82		42.82
Metering	0.5792	5.00		29.12		29.12
Members Contribution for CAPEX	0.5324		0.5324		.5324	

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

Table 3. Proposed Transition Rates

Group: A

Name: QUEZON II ELECTRIC COOPERATIVE, INC.

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage Increase	1	1		
RESIDENTIAL				
Residential				
Distribution (kWh)	1.2239	1.0557	1.0557	1.0557
Supply (kWh)	0.5646	1.0282	1.0282	1.0282
Metering (Customer)	5.00	5.00	5.00	5.00
Metering (kWh)	0.285	0.5792	0.5792	.5792
Members Contribution for Capital Expenditures		0.5324	0.5324	.5324
Final Loan Condo (kWh)	-0.4647			

LOW VOLTAGE				
Commercial (220/240)				
Distribution (kWh)	1.1131	1.1577	1.1577	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	32.68	42.8215	42.8215	42.8215
Metering (Customer)	26.64	29.1221	29.1221	29.1221
Metering (kWh)				
Members Contribution for Capital Expenditures		0.5324	0.5324	.5324
Final Loan Condo (kWh)	-0.3044			
Final Loan Condo (Customer)	-7.9748			
Industrial (220/240)				
Distribution (kWh)	1.0578	1.1577	1.1577	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	32.68	42.8215	42.8215	42.8215
Metering (Customer)	26.64	29.1221	29.1221	29.1221
Metering (kWh)				
Members Contribution for Capital Expenditures		0.5324	0.5324	.5324
Final Loan Condo (kWh)	-0.2857			
Final Loan Condo (Customer)	-7.9756			
Public Building				
Distribution (kWh)	.6146	1.1577	1.1577	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	32.55	42.8215	42.8215	42.8215
Metering (Customer)	19.32	29.1221	29.1221	29.1221
Metering (kWh)				
Members Contribution for Capital Expenditures		.5324	.5324	.5324
Final Loan Condo (kWh)	-.1346			
Final Loan Condo (Customer)	-5.9783			

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage Increase	1	1		
Street Lights				
Distribution (kWh)	1.2308	1.1577	1.1577	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	31.36	42.8215	42.8215	42.8215
Metering (Customer)	11.99	29.1221	29.1221	29.1221
Metering (kWh)				
Members Contribution for Capital Expenditures		.5324	.5324	.5324
Final Loan Condo (kWh)	-.3592			
Final Loan Condo (Customer)	-.9032			

Water System				
Distribution (kWh)	.6535	1.1577	1.1577	1.1577
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	32.69	42.8215	42.8215	42.8215
Metering (Customer)	11.99	29.1221	29.1221	29.1221
Metering (kWh)				
Members Contribution for Capital Expenditures		.5324	.5324	.5324
Final Loan Condo (kWh)	-.1469			
Final Loan Condo (Customer)	-3.9896			

18. QUEZELCO II submits that the implementation of the proposed rates would be to the best interest of its consumers as the cooperative will be encouraged to become more efficient to be able to deliver quality and reliable service to its consumers. Further, QUEZELCO II has chosen to implement the proposed rates in the manner presented above to comply with the RSEC-WR and be able to provide for funds necessary for its operations.
19. QUEZELCO II 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 Quezon and the Sangguniang Bayan of Infanta, and published the Application in its entirety in a newspaper of general circulation in the Province of Quezon.
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 the Publication;
 - d) Certifications of the concerned Sangguniang Panlalawigan of Quezon and Sangguniang Bayan of Infanta;
 - e) Complete RSEC-WR UFR Model;
 - f) Complete Transition Model;
 - g) 2008 Audited Financial Statement;
 - h) Billing Determinants and Customer Class Allocation;
 - i) Current Billing Statement.

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 QUEZELCO II, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		D	S	M	CAPEX
RESIDENTIAL	PhP/kWh	1.0557	1.0282	0.5792	0.5324
	Php/Meter/Mo			5.00	
LOW VOLTAGE	PhP/kWh	1.1577			0.5324
	Php/Cust/Mo		42.82	29.12	
HIGHER VOLTAGE	PhP/KW	302.51			
	PhP/Cust/Mo		42.82	29.12	
	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, 23 October 2009.

DECHAVEZ SAGAYO & LERIOS AMBOY
LAW OFFICES
Counsel for QUEZELCO II
Units 1609-1610 Tycoon Centre
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)
Infanta, Quezon) Ss.

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


I, VICTOR R. CADA, of legal age, Filipino and with office address at the QUEZELCO II Main Office, Gumian, Infanta, Quezon, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Quezon II Cooperative, Inc. (QUEZELCO II);
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 QUEZELCO II;
3. QUEZELCO II 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 27th day of October, 2009 at Infanta, Quezon.


VICTOR R. CADA
Affiant

SUBSCRIBED AND SWORN to before me in Infanta, Quezon, this 27th day of October 2009 by the affiant who exhibited to me his CTC No. 22825686 issued on January 11, 2009 at Infanta, Quezon.


ATTY. PRIMO R. RINON SR.
NOTARY PUBLIC
UNTIL DEC. 31 2010
PTR NO. 2825342-1/3/09-QUEZON
IBP NO. 742432-06/09-LUCENA CITY
ROLL NO. 15443

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