

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. 2009-088RC

ILOCOS SUR ELECTRIC
COOPERATIVE, Inc. (ISECO)
Applicant.

x-----x

A P P L I C A T I O N

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

1. ISECO 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 Bigbiga, Santiago, Ilocos Sur, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Cesar G. Gironella, of legal age, Filipino and with office address also at ISECO 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 ILOCOS SUR, namely: Tagudin, Sta Cruz, Sta. Lucia, Candon, Santiago, San Esteban, Sta. Maria, Narvacan, Santa, Vigan, Bantay, Caoayan, San Ildefonso, San Vicente, Sta. Catalina, Sto. Domingo, Magsingal, San Juan, Cabugao, Sinit, Burgos,

Lidlidda, San Emilio, Nagbukel, Cervantes, Quirino, Sugpon, Del Pilar, Galimuyod, Banayoyo, Suyo, Salcedo, Alilem and Sigay;

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. ISECO participated in the abovementioned public consultations, *and* likewise submitted data/documents required by the ERC during the drafting of the said rules;

7. Said regulatory framework is 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 May 12, 2009, ISECO’s Board of Directors passed Board Resolution No. 88 s. 2009, supporting and endorsing the General Managers’ resolution 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 locality wherein the electric cooperatives operate, the ERC issued the final RSEC-WR on September 22, 2009 and the same was published in the Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, ISECO was categorized under Group “F”;

12. As a Group “F” EC, ISECO’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP0.9900

13. Further, ISECO 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
BAPA	
Sale for Resale	
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Irrigation/CWS	Higher Voltage Customers
Commercial	
Industrial	

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP F	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
Distribution	0.4613		0.4441		167.56	
Supply	0.5376			46.60		46.60
Metering	0.3205	5.0000		32.78		32.78

15. As a Group “F” EC, ISECO is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP 0.2178/kWh;

16. Considering the above mentioned rates, ISECO’s rate caps would be as follows: 1.) DSM – PhP0.9900; and 2.) MCC – PhP0.2178/kwh;

GROUP F	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
Distribution	0.4613		0.4441		167.56	
Supply	0.5376			46.60		46.60
Metering	0.3205	5.0000		32.78		32.78
Member's Contribution for CAPEX	0.2178		0.2178		0.2178	

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

Table 3. Proposed Transition Rates

F
ILOCOS SUR ELECTRIC COOPERATIVE INC.

	Rates Billed				2008 Billing Determinants
	Current	Start of Transition	End of Year one	End of Transition	
Percentage increase	1.0000	0.5000	0.5000	-	
RESIDENTIAL					
Cust. Type: Residential					
Distribution (kWh)	0.6608	0.5610	0.4613	0.4613	102,663,602
Supply (kWh)	0.3641	0.4508	0.5376	0.5376	102,663,602
Metering (Customer)	5.0000	5.0000	5.0000	5.0000	116,866
Metering (kWh)	0.2875	0.3040	0.3205	0.3205	102,663,602
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	102,663,602
Final Loan Condo (kWh)	(0.1408)				102,663,602
Cust. Type: Sale for Resale					
Distribution (kWh)	0.4776	0.4694	0.4613	0.4613	50,436
Supply (kWh)	-	0.2688	0.5376	0.5376	50,436
Supply (customer)	25.9200	12.96	-	-	4
Metering (Customer)	-	2.5000	5.0000	5.0000	4
Metering (kWh)	-	0.1602	0.3205	0.3205	50,436
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	50,436
Final Loan Condo (kWh)	(0.0751)				50,436
Final Loan Condo (customer)	(0.5534)				4
SUB-TOTAL					102,714,038

LOW VOLTAGE					
Cust. Type: Commercial					
Distribution (kWh)	0.3826	0.4134	0.4441	0.4441	28,052,059
Distribution (kW)	-	-	-	-	-
Supply (kWh)	-	-	-	-	28,052,059
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	6,152
Metering (Customer)	105.3500	69.0659	32.7818	32.7818	6,152
Metering (kWh)	-	-	-	-	28,052,059
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	28,052,059
Final Loan Condo (kWh)	(0.0601)				28,052,059
Final Loan Condo (customer)	(14.3942)				6,152
Cust. Type: WATER SYSTEM/IRRIGATION					
Distribution (kWh)	0.5713	0.5077	0.4441	0.4441	1,497,095
Distribution (kW)	-	-	-	-	-
Supply (kWh)	-	-	-	-	1,497,095
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	356
Metering (Customer)	162.7700	97.7759	32.7818	32.7818	356
Metering (kWh)	-	-	-	-	1,497,095
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	1,497,095
Final Loan Condo (kWh)	(0.0846)				1,497,095
Final Loan Condo (customer)	(21.9368)				356
Cust. Type: PUBLIC BUILDINGS					
Distribution (kWh)	0.3114	0.3778	0.4441	0.4441	10,843,601
Distribution (kW)	-	-	-	-	-
Supply (kWh)	-	-	-	-	10,843,601
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	2,011
Metering (Customer)	30.7900	31.7859	32.7818	32.7818	2,011
Metering (kWh)	-	-	-	-	10,843,601
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	10,843,601
Final Loan Condo (kWh)	(0.0788)				10,843,601
Final Loan Condo (customer)	(0.9638)				2,011
Cust. Type: STREET LIGHTS					
Distribution (kWh)	0.3853	0.4147	0.4441	0.4441	1,521,179
Distribution (kW)	-	-	-	-	-
Supply (kWh)	-	-	-	-	1,521,179
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	209
Metering (Customer)	22.1100	27.4459	32.7818	32.7818	209
Metering (kWh)	-	-	-	-	1,521,179
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	1,521,179
Final Loan Condo (kWh)	(0.0457)				1,521,179
Final Loan Condo (customer)	(3.2016)				209

Cust. Type: Industrial					
Distribution (kWh)	0.3564	0.4003	0.4441	0.4441	656,288
Distribution (kW)	27.5000	13.7500	-		677
Supply (kWh)	-	-	-		656,288
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	36
Metering (Customer)	290.9800	161.8809	32.7818	32.7818	36
Metering (kWh)	-	-	-		656,288
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	656,288
Final Loan Condo (kWh)	(0.0512)				656,288
Final Loan Condo (customer)	(185.0314)				36
SUB-TOTAL					42,570,222
HIGHER VOLTAGE					
Cust. Type: Industrial					
Distribution (kWh)	0.3564	0.1782	-		4,217,920
Distribution (kW)	27.5000	97.5316	167.5632	167.5632	1,188
Supply (kWh)	-	-	-		4,217,920
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	4
Metering (Customer)	290.9800	161.8809	32.7818	32.7818	4
Metering (kWh)	-	-	-		4,217,920
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	4,217,920
Final Loan Condo (kWh)	(0.0512)				4,217,920
Final Loan Condo (customer)	(185.0314)				4
Cust. Type: COMMERCIAL					
Distribution (kWh)	0.3826	0.1913	-		5,678,801
Distribution (kW)	-	83.7816	167.5632	167.5632	1,939
Supply (kWh)	-	-	-		5,678,801
Supply (Customer)	26.6900	36.6474	46.6048	46.6048	20
Metering (Customer)	105.3500	69.0659	32.7818	32.7818	20
Metering (kWh)	-	-	-		5,678,801
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178	5,678,801
Final Loan Condo (kWh)	(0.0601)				5,678,801
Final Loan Condo (customer)	(14.3942)				20

18. ISECO submits that the implementation of the proposed rates would work to the best interest of its consumers as it would provide additional working capital which will be used to finance necessary improvements and facilities which will eventually result to efficient service to its consumers. Further, ISECO has chosen to implement the proposed rates stated above in order mitigate the effect of the adjustment towards the tariff cap.

19. ISECO 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 Ilocos Sur and the Sangguniang Bayan of Santiago, Ilocos Sur and published the Application in its entirety in a newspaper of general circulation in the Province of Ilocos Sur.

20. Attached and made integral parts of this application are the following supporting documents and annexes, to wit:

- a. Board Resolution No.176 S. 2009 “ Resolution to approve the filing with the Energy Regulatory Commission application for the rate adjustment pursuant to the RSEC-WR and authorizing the General Manager to cause the preparation of requested data and documents and to engage the services of a legal counsel for the purpose
- b. NAGMEC Resolution No. 01, S. 2009 “ A Resolution Imploring Upon the ERC to Implement a New Rate-Setting “Benchmarking” Methodology for Setting the Electric Cooperatives’ Wheeling Rates”
- c. Board Resolution No. 88 S. 2009 “ Resolution Supporting and Endorsing NAGMEC Resolution No. 01, S. 2009
- d. Local Publication of the Application with Affidavit of Publication
- e. Certifications of the Concerned Local Sanggunians
- f. Completed RSEC-WR UFR Model
- g. Completed Transition Model
- h. Working Papers on Details and Explanations
- i. 2008 Audited Financial Statement
- j. Billing Determinants & Customer Class Allocation
- k. 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 ISECO, as follows:

TYPE OF CONSUMERS		UNITS	RATE DESIGN		
			D	S	M
Residential	DSM	PhP/kWh	0.4613	0.5376	0.3205
		PhP/Meter/Mo			5.00
	CAPEX	PhP/kWh	0.2178		
Low Voltage	DSM	PhP/kWh	0.4441		
		PhP/Cust/Mo		46.60	32.78
	CAPEX	PhP/kWh	0.2178		
Higher Voltage	DSM	PhP/Kw	167.56		
		PhP/Cust/Mo		46.60	32.78
	CAPEX	PhP/kWh	0.2178		

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 22, 2009.

**DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
Counsel for ISECO**

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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 ILOCOS SUR) Ss.
MUNICIPALITY OF SANTIAGO)

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

I, CESAR G. GIRONELLA, of legal age, Filipino and with office address at the Main Office of Ilocos Sur Electric Cooperative, Inc. (ISECO), Santiago, Ilocos Sur, after being sworn to according to law, depose and state that:

1. I am the General Manager of Ilocos Sur Electric Cooperative, Inc. (ISECO);
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 ISECO;
3. ISECO 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 Santiago, Ilocos Sur.

CESAR G. GIRONELLA
Affiant

SUBSCRIBED AND SWORN to before me this ____ day of October, 2009 at Santiago, Ilocos Sur by the affiant who exhibited to me his CTC No. 21020306 issued at Santiago, Ilocos Sur and with validity until January 20, 2010.

Notary Public

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