

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-_____ RC

CAGAYAN II ELECTRIC
COOPERATIVE, INC.
(CAGELCO II)

Applicant.

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A P P L I C A T I O N

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

1. CAGELCO 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 Macanaya District, Aparri, Cagayan, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Gabriel A. Tordesillas, of legal age, Filipino and with office address also at the CAGELCO 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 municipalities of the Province of Cagayan, namely: Abulug, Allacapan, Aparri, Ballesteros, Buguey, Camalaniugan, Claveria, Gattaran, Gonzaga, Lal-Lo, Lasam, Pamplona, Sanchez Mira, Sta. Ana, Sta. Praxedes, Sta.

Teresita, Calayan Island, and the Province of Apayao namely: Flora, Sta. Marcela, Luna, Pudtol;

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. CAGELCO II 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 May 30, 2009, CAGELCO II Board of Directors passed Board Resolution No. 034-0530-A, 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, CAGELCO II is categorized under Group “C”;

12. As a Group “C” EC, CAGELCO II’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP1.68;

13. Further, CAGELCO 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
Public Building	
Street Lights	
Commercial	Higher Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP C	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.7004		0.7493		213.96	
Supply	0.7156			34.05		34.05
Metering	0.5236	5.00		29.91		29.91

15. As a Group “C” EC, CAGELCO II is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.3696 /kWh;

16. Considering the abovementioned rates, CAGELCO II’s rate caps would be as follows: 1.) DSM – 1.68; and 2.) MCC – 0.3696;

GROUP C	RESIDENTIAL		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.	PhP/kWh
Distribution	0.7004		0.7493		213.96		
Supply	0.7156			34.05		34.05	
Metering	0.5236	5.00		29.91		29.91	
Members Contribution for CAPEX	0.3696		0.3696				0.3696

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

Table 3. Proposed Transition Rates

Group C
Name: CAGAYAN II
ELECTRIC COOPERATIVE,
INC.

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.8500	0.1500	
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	1.4215	0.8085	0.7004	0.7004
Supply (kWh)	0.5103	0.6848	0.7156	0.7156
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.2948	0.4893	0.5236	0.5236
Members Contribution for Capital Expenditures		0.3142	0.3696	0.3696
Final Loan Condo (kWh)	(0.5127)			

LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.8037	0.7574	0.7493	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	29.5000	33.3636	34.0454	34.0454
Metering (Customer)	69.9000	35.9098	29.9116	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3142	0.3696	0.3696
Final Loan Condo (kWh)	(0.2279)			
Final Loan Condo (customer)	(3.3542)			
Cust. Type: Public Building				
Distribution (kWh)	0.7554	0.7502	0.7493	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	29.3500	33.3411	34.0454	34.0454
Metering (Customer)	26.2900	29.3683	29.9116	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3142	0.3696	0.3696
Final Loan Condo (kWh)	(0.2074)			
Final Loan Condo (customer)	(1.3208)			
Cust. Type: Street Light				
Distribution (kWh)	3.1776	1.1135	0.7493	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	26.1700	32.8641	34.0454	34.0454
Metering (Customer)	22.1100	28.7413	29.9116	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3142	0.3696	0.3696
Final Loan Condo (kWh)	(1.2390)			
Final Loan Condo (customer)	(0.1824)			
HIGHER VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.8037	0.1206	-	
Distribution (kW)		181.8664	213.9604	213.9604
Supply (kWh)		-	-	
Supply (Customer)	29.5000	33.3636	34.0454	34.0454
Metering (Customer)	69.9000	35.9098	29.9116	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3142	0.3696	0.3696
Final Loan Condo (kWh)	(0.2279)			
Final Loan Condo (customer)	(3.3542)			

18. CAGELCO II submits that the implementation of the proposed rates would work to the best interest of its consumers as it would improve the viability of its operation that will redound to a better service. Further, CAGELCO II has chosen to implement the proposed rates 85% at the start of the transition period in order to cope with the revenue requirement of the Cooperative.

19. CAGELCO 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 Cagayan and Apayao and the Sangguniang Bayan of Aparri, and published the Application in its entirety in the newspapers of general circulation in the Provinces of Cagayan and Apayao.

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 II, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN		
		D	S	M
Residential	PhP/kWh	0.7004	0.7156	0.5236
	PhP/Meter/Mo.			5.00
CAPEX	PhP/kWh	0.3696		
Low Voltage	PhP/kWh	0.7493		
	PhP/Cust/Mo.		34.05	29.91
CAPEX	PhP/kWh	0.3696		
Higher Voltage	PhP/Kw	213.96		
	PhP/Cust/Mo.		34.05	29.91
CAPEX	PhP/kWh	0.3696		

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

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

PTR#5098945 Jan. 5, 2009 Pasig

IBP# 767996 Jan. 5, 2009 Rizal