

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

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

ERC CASE NO. 2009-107 RC

ISABELA 1 ELECTRIC
COOPERATIVE, Inc. (ISELCO I)
Applicant.

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A P P L I C A T I O N

COMES NOW, applicant Isabela I Electric Cooperative, Inc. (ISELCO – 1), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ISELCO-1 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 Victoria, Alicia, Isabela, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. VIRGILIO L. MONTANO, of legal age, Filipino and with office address also at the ISELCO-1 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 Isabela, namely: Alicia, Angadanan, San Guillermo, Cauayan City ,Reina Mercedes, Cabatuan, Luna, San Mateo, Ramon, Santiago City, Cordon, San Isidro, Echague, Jones and San Agustin;

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. ISELCO-1 participated in the abovementioned public consultations and its 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 2, 2009, ISELCO-1 Board of Director’s passed Board Resolution No. 035 s-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 and the same was published in The Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, ISELCO-1 was categorized as Group “F”;

12. As a Group “F” EC, ISELCO-1’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 0.9900;

13. Further, ISELCO-1 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
Sale for Resale	
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Commercial	Higher Voltage Customers
Industrial	
Public Building	

14. After functionalizing and allocating its ORR and using the new customer class, ISELCO-1'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, ISELCO-1 is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP 0.2178/kWh;

16. Considering the abovementioned rates, ISELCO-1's rate caps would be as follows: 1.) DSM –PhP 0.9900; and 2.) MCC –PhP 0.2178;

GROUP - E	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/mo.	PhP/kW	PhP/kWh	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. ISELCO-1 intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

F
Name: ISABELA I ELECTRIC COOPERATIVE, INC.

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.3333	0.3333	0.3333
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	0.7176	0.6322	0.5467	0.4613
Supply (kWh)	0.5584	0.5515	0.5445	0.5376
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.2646	0.2832	0.3018	0.3205
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3725)			
Cust. Type: Sale for Resale				
Distribution (kWh)	0.4419	0.4484	0.4548	0.4613
Distribution (kW)	-	-	-	
Supply (kWh)	-	0.1792	0.3584	0.5376
Supply (Customer)	39.8600	26.5733	13.2867	
Metering (Customer)	23.3900	17.2600	11.1300	5.0000
Metering (kWh)	-	0.1068	0.2136	0.3205
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.1290)			
Final Loan Condo (customer)	(5.6921)			
SUB-TOTAL				
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.6623	0.5896	0.5169	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	37.5000	35.9273	34.3545	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.2563)			
Final Loan Condo (customer)	(8.1735)			

Cust. Type: Industrial				
Distribution (kWh)	0.8135	0.6904	0.5673	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	455.2100	314.4006	173.5912	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3410)			
Final Loan Condo (customer)	(81.6656)			
Cust. Type: Public Building				
Distribution (kWh)	0.8439	0.7106	0.5774	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	37.5000	35.9273	34.3545	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3608)			
Final Loan Condo (customer)	(8.1736)			
Cust. Type: Street Light				
Distribution (kWh)	2.5137	1.8238	1.1340	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	-	10.9273	21.8545	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3325)			
Final Loan Condo (customer)	(1.5764)			
				SUB-TOTAL
HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.8135	0.5423	0.2712	
Distribution (kW)	-	55.8544	111.7088	167.5632
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	455.2100	314.4006	173.5912	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3410)			
Final Loan Condo (customer)	(81.6656)			

Cust. Type: Commercial				
Distribution (kWh)	0.6623	0.4415	0.2208	
Distribution (kW)	-	55.8544	111.7088	167.5632
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	37.5000	35.9273	34.3545	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.2563)			
Final Loan Condo (customer)	(8.1735)			
Cust. Type: Public Building				
Distribution (kWh)	0.8439	0.5626	0.2813	
Distribution (kW)	-	55.8544	111.7088	167.5632
Supply (kWh)	-	-	-	
Supply (Customer)	39.8700	42.1149	44.3598	46.6048
Metering (Customer)	37.5000	35.9273	34.3545	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2178	0.2178	0.2178
Final Loan Condo (kWh)	(0.3608)			
Final Loan Condo (customer)	(8.1736)			

18. ISELCO-1 submits that the implementation of the proposed rates would be the best interest of its consumers as it would be encouraged to improve its efficiency and be able to deliver reliable, efficient and quality service to its consumers. Further, ISELCO-1 has chosen to implement the proposed rates as follows: for the DSM Rates, in three (3) installments during the transition period in order to mitigate the impact of the adjustment towards the initial tariff, and for the CAPEX Rate, full implementation at the start of the transition period to be able to immediately provide the cooperative needed funds for its CAPEX PROJECTS.

19. ISELCO-1 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 Isabela and the Sangguniang Bayan of Alicia and published the application in its entirety in a newspaper of general circulation in the Province of Isabela.

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 upon 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 ISELCO-1, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		D	S	M	CAPEX
RESIDENTIAL	PhP/ kWh	0.4613	0.5376	0.3205	0.2178
	PhP/Meter/Mo.			5.00	
LOW VOLTAGE	PhP/ kWh	0.4441			0.2178
	PhP/Cust./Mo.		46.60	32.78	
HIGHER VOLTAGE	PhP/ kW	167.56			
	PhP/Cust./Mo.		46.60	32.78	
	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 12, 2009.

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

Counsel for ISELCO I

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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)
) Ss.

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

I, ENGR. VIRGILIO L. MONTANO of legal age, Filipino and with office address at the Main Office of ISABELA-1 ELECTRIC COOPERATIVE, INC. (ISELCO-1), Victoria, Alicia, Isabela, after being sworn to according to law, depose and state that:

1. I am the General Manager of Isabela-1 Electric Cooperative, Inc. (ISELCO-1);

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 Isabela-1 Electric Cooperative, Inc.

3. Isabela-1 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 _____ day of October, 2009 at _____.

ENGR. VIRGILIO L. MONTANO
Affiant

SUBSCRIBED AND SWORN to before me in _____, this ____ day of October 2009 by the affiant who exhibited to me his _____ issued at _____ and with validity until _____.

Notary Public

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