

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. 2009-112 RC

**SURIGAO DEL NORTE
ELECTRIC COOPERATIVE, INC.
(SURNECO)**

Applicant.

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A P P L I C A T I O N

COMES NOW, applicant **SURIGAO DEL NORTE ELECTRIC COOPERATIVE, INC.** (SURNECO for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. SURNECO 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 Espina Street, Surigao City where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Danny Z. Escalante of legal age, Filipino and with office address also at SURNECO 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 Surigao del Norte namely: Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison , Taganaan , Tubod and the City of Surigao,
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. Said regulatory framework is embodied in the *Rules for Setting the Electric Cooperatives’ Wheeling Rates* (RSEC-WR);
7. 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;

8. SURNECO participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said Rules;
9. On June 25, 2009 SURNECO's Board of Directors passed Board Resolution No. 91, 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 and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, SURNECO was categorized as Group "D";
12. As a Group "D" EC, SURNECO's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP **1.1400**;
13. Further, SURNECO 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 BAPA	Residential Customers
Small Commercial Public Buildings Street Lights	Low Voltage Customers
Small Commercial Large Commercial Industrial Public Buildings Street Lights	High Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP D	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/Mo
Distribution	0.5143		0.5134		190.03	
Supply	0.5828			41.61		41.61
Metering	0.3669	5.0000		31.19		31.19

15. As a Group "D" EC, SURNECO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP 0.2508/kWh;

16. Considering the above mentioned rates, SURNECO's rate caps would be as follows: 1.) DSM – **1.1400**; and 2.) MCC – **0.2508**;

GROUP D	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	PhP/kW	PhP/Cust/Mo
Distribution	0.5143		0.5134			190.03	
Supply	0.5828			41.61			41.61
Metering	0.3669	5.0000		31.19			31.19
Member's Contribution for CAPEX	0.2508		0.2508		0.2508		

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

Table 3. Proposed Transition Rates

	Rates Billed			
	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)	0.7008	0.6076	0.5143	0.5143
Supply (kWh)	0.5174	0.5501	0.5828	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4775	0.4222	0.3669	0.3669
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: BAPA				
Distribution (kWh)	0.7008	0.6076	0.5143	0.5143
Supply (kWh)	0.5174	0.5501	0.5828	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4775	0.4222	0.3669	0.3669
Members Contribution for Capital Expenditures	-	0.1254	0.2508	0.2508
LOW VOLTAGE				
Cust. Type: Small Commercial				
Distribution (kWh)	0.5074	0.5104	0.5134	0.5134
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: Public Buildings				
Distribution (kWh)	0.4021	0.4578	0.5134	0.5134
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: St. Lights				
Distribution (kWh)	2.1354	1.3244	0.5134	0.5134
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	37.3400	39.4752	41.6104	41.6104
Metering (Customer)	-	15.5963	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508

	HIGHER VOLTAGE			
Cust. Type: Small Commercial				
Distribution (kWh)	0.5074	0.2537	-	
Distribution (kW)	-	95.0134	190.0268	190.0268
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: Large Commercial				
Distribution (kWh)	0.5632	0.2816	-	
Distribution (kW)	20.0000	105.0134	190.0268	190.0268
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: Industrial				
Distribution (kWh)	0.7993	0.3997	-	
Distribution (kW)	20.0000	105.0134	190.0268	190.0268
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: Public Building				
Distribution (kWh)	0.4021	0.2011	-	
Distribution (kW)	-	95.0134	190.0268	190.0268
Supply (kWh)	-	-	-	-
Supply (Customer)	39.7900	40.7002	41.6104	41.6104
Metering (Customer)	41.7200	36.4563	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508
Cust. Type: Street Lights				
Distribution (kWh)	2.1354	1.0677	-	
Distribution (kW)	-	95.0134	190.0268	190.0268
Supply (kWh)	-	-	-	-
Supply (Customer)	37.3400	39.4752	41.6104	41.6104
Metering (Customer)	-	15.5963	31.1926	31.1926
Metering (kWh)	-	-	-	-
Members Contribution for Capital Expenditures		0.1254	0.2508	0.2508

18. SURNECO submits that the implementation of the proposed rates would be to the best interest of its consumers as it would enable the cooperative to be financially viable and comply with the requirements of the EPIRA to achieve a more reliable, efficient, safe and quality service. It has chosen to implement the proposed rates during the Transition Period in the manner provided above in order to mitigate the impact of the adjustment both on the cooperative as well as its customers.

19. SURNECO 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 Surigao City 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. 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; and
 - 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 SURNECO, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		D	S	M	CAPEX
RESIDENTIAL	PhP/kWh	0.5143	0.5828	0.3669	0.2508
	PhP/meter/Mo			5.00	
LOW VOLTAGE	PhP/kWh	0.5134			0.2508
	PhP/Cust/Mo		41.61	31.19	
HIGH VOLTAGE	PhP/kWh				0.2508
	PhP/kW	190.03			
	PhP/Cust/Mo		41.61	31.19	

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.

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By:



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Roll No. 40628
MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008
PTR#5098945 Jan. 5, 2009 Pasig
IBP# 767996 Jan. 5, 2009 Rizal**