

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. 2009-118RC**

TARLAC II ELECTRIC  
COOPERATIVE, Inc.  
(TARELCO II)  
**Applicant.**

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**A P P L I C A T I O N**

**COMES NOW**, applicant TARLAC II Electric Cooperative, Inc. (TARELCO II), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. TARELCO 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 San Nicolas, Concepcion, Tarlac, where it may be served with summons and other legal processes, represented in this instance by its Officer In-Charge, Engr. Jose F. Bognot Jr., of legal age, Filipino and with office address also at TARELCO II Office, located at San Nicolas, Concepcion, Tarlac.
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 Tarlac and Nueva Ecija namely: Bamban, Capas, Concepcion, Lapaz and Zaragoza.
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 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. TARELCO II participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of the said rules;
9. On May 7, 2009, TARELCO II's Board of Directors passed Board Resolution No. 162-s- 2009 and 172-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, TARELCO II was categorized as Group "E";
12. As a Group "E" EC, TARELCO II determined Operating Revenue Requirement (ORR) per kWh is **PhP 1.3200**;
13. Further, TARELCO 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
Small Commercial	Low Voltage Customers
Large Commercial	
Industrial	
Public Building	
Street Lights	
Industrial	Higher Voltage Customers
Large Commercial	

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP: E	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
<b>Distribution</b>	0.5782		0.7595		219.68	
<b>Supply</b>	0.6001			42.92		42.92
<b>Metering</b>	0.4326	5.0000		35.94		35.94

15. As a Group "E" EC, TARELCO II is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP **0.2904** /kWh;

16. Considering the abovementioned rates, TARELCO II's rate caps would be as follows: 1.) **DSM – PhP 1.3200**; and 2.) **MCC – PhP 0.2904**;

GROUP: E	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	PhP/kW	PhP/Cust/mo
<b>Distribution</b>	0.5782		0.7595			219.68	
<b>Supply</b>	0.6001			42.92			42.92
<b>Metering</b>	0.4326	5.0000		35.94			35.94
<b>CAPEX</b>	0.2904		0.2904		0.2904		

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

Table 3. Proposed Transition Rates

E Name : Tarlac II Electric Cooperative, Inc. ( TARELCO II)	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	1.0000		-
<b>RESIDENTIAL</b>				
<b>Cust. Type: Residential</b>				
Distribution (kWh)	1.0170	0.5782	0.5782	0.5782
Supply (kWh)	0.2373	0.6001	0.6001	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.2594	0.4326	0.4326	0.4326
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.2090)			
<b>LOW VOLTAGE</b>				
<b>Cust. Type: Small Commercial</b>				
Distribution (kWh)	0.7125	0.7595	0.7595	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	19.1000	42.9203	42.9203	42.9203
Metering (Customer)	26.5800	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1255)			
Final Loan Condo (customer)	(3.1374)			
<b>Cust. Type: Large Commercial</b>				
Distribution (kWh)	0.8122	0.7595	0.7595	0.7595
Distribution (kW)	22.00			
Supply (kWh)	-	-	-	
Supply (Customer)	24.7300	42.9203	42.9203	42.9203

Metering (Customer)	213.6600	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1234)			
Final Loan Condo (customer)	(7.3004)			
<b>Cust. Type: Industrial</b>				
Distribution (kWh)	1.0949	0.7595	0.7595	0.7595
Distribution (kW)	22.00			
Supply (kWh)	-	-	-	
Supply (Customer)	49.7300	42.9203	42.9203	42.9203
Metering (Customer)	657.9400	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1400)			
Final Loan Condo (customer)	(17.1539)			
<b>Cust. Type: Public Building</b>				
Distribution (kWh)	0.8466	0.7595	0.7595	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	18.3600	42.9203	42.9203	42.9203
Metering (Customer)	24.1900	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1309)			
Final Loan Condo (customer)	(3.0843)			
<b>Cust. Type: Street Lights</b>				
Distribution (kWh)	0.9786	0.7595	0.7595	0.7595
Distribution (kW)	-	-	-	

Supply (kWh)	-	-	-	
Supply (Customer)	4.2200	42.9203	42.9203	42.9203
Metering (Customer)	-	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.2347)			
Final Loan Condo (customer)	-			

**HIGHER VOLTAGE**

<b>Cust. Type: Industrial</b>				
Distribution (kWh)	1.0949			
Distribution (kW)	22.00	219.6807	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	49.7300	42.9203	42.9203	42.9203
Metering (Customer)	657.9400	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1400)			
Final Loan Condo (customer)	(17.1539)			

<b>Cust. Type: Large Commercial</b>				
Distribution (kWh)	.8122			
Distribution (kW)	22.00	219.6807	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	24.7300	42.9203	42.9203	42.9203
Metering (Customer)	213.6600	35.9431	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1234)			
Final Loan Condo (customer)	(7.3004)			

18. TARELCO II submits that the implementation of the proposed rates would be to the best interest of its consumers as it would reflect more appropriately the charges on the customer classes. The proposed rates for Distribution, Supply and Metering as well as CAPEX will be implemented 100%. With the proposed implementation the EC will be able to sustain its current operational efficiency in delivering prompt service and reliable power supply to its consumers.

19. TARELCO 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 Local Government Units' legislative body where the main office is located and published the Application in its entirety in a newspaper of general circulation in the Province of Tarlac and Nueva Ecija.

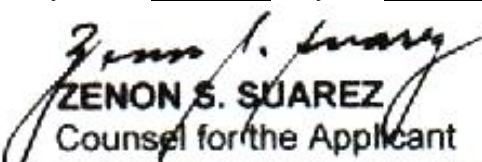
### **PRAYER**

**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 TARELCO II, as follows:

RATE DESIGN		D	S	M	CAPEX
<b>Residential:</b>	PhP / kWh	<b>0.5782</b>	<b>0.6001</b>	<b>0.4326</b>	<b>0.2904</b>
	PhP/Meter/Month			<b>5.0000</b>	
<b>Low Voltage:</b>	PhP / kWh	<b>0.7595</b>			<b>0.2904</b>
	PhP/Customer/Month		<b>42.92</b>	<b>35.94</b>	
<b>Higher Voltage:</b>	PhP / kW	<b>219.68</b>			
	PhP/Customer/Month		<b>42.92</b>	<b>35.94</b>	
	Php / kWh				<b>0.2904</b>

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.

Quezon City for Pasig City, this 29th day of October 2009.

  
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