

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. 2009-125RC

V-M-C RURAL ELECTRIC
SERVICE COOPERATIVE, Inc.
(VRESCO)

Applicant.

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A P P L I C A T I O N

COMES NOW, applicant **V-M-C RURAL ELECTRIC SERVICE COOPERATIVE, INC. (VRESCO)** for brevity, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. VRESCO 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 Crossing Tortosa, Manapla, Negros Occidental, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. EDUARDO B. PARROCHO, of legal age, Filipino and with office address also at Crossing Tortosa, Manapla, Negros Occidental, VRESCO 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 Negros Occidental, namely: Municipality of E. B. Magalona, City of Victorias, Municipality of

Manapla, City of Cadiz, City of Sagay, City of Escalante, Municipality of Toboso, Municipality of Calatrava and City of San Carlos;

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. VRESCO 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 18, 2009, VRESCO’s Board of Director’s passed Board Resolution No. 46, 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, VRESCO was categorized as Group “E”;

12. As a Group “E” EC, VRESCO’s determined Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR is PhP1.3200;

13. Further, VRESCO 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	
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Irrigation/CWS	
Commercial	Higher Voltage Customers
Industrial	

14. After functionalizing and allocating its ORR and using the new customer class, VRESCO’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.
Distribution	0.5782		0.7595		219.68	
Supply	0.6001			42.92		42.92
Metering	0.4326	5.0000		35.94		35.94

15. As a Group “E” EC, VRESCO is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.2409/kWh;

16. Considering the abovementioned rates, VRESCO's rate caps would be as follows: 1.) DSM – PhP1.32; and 2.) MCC – PhP0.2904;

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	0.5782		0.7595		219.68		
Supply	0.6001			42.92			42.92
Metering	0.4326	5.0000		35.94			35.94
Member's Contribution for CAPEX	0.2904		0.2904			0.2904	

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

Table 3. Proposed Transition Rates

**E
V-M-C RURAL ELECTRIC SERVICE
COOPERATIVE, INC. (VRESCO)**

	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)	1.1333	0.8558	0.5782	0.5782
Supply (kWh)	0.3635	0.4818	0.6001	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.5338	0.4832	0.4326	0.4326
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.5725)			
SUB-TOTAL				
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.6969	0.7282	0.7595	0.7595
Distribution (kW)	-	-	-	-
Supply (kWh)	-	-	-	-
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	-
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.2754)			
Final Loan Condo (customer)	(8.0371)			

Cust. Type: Industrial				
Distribution (kWh)	0.3991	0.5793	0.7595	0.7595
Distribution (kW)	47.4800	23.7400	-	
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1666)			
Final Loan Condo (customer)	(8.0372)			
Cust. Type: Public Building				
Distribution (kWh)	0.8007	0.7801	0.7595	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.3661)			
Final Loan Condo (customer)	(8.0371)			
Cust. Type: Street Lights				
Distribution (kWh)	0.8976	0.8286	0.7595	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.3530)			
Final Loan Condo (customer)	(4.8939)			
Cust. Type: Irrigation				
Distribution (kWh)	0.4653	0.6124	0.7595	0.7595
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1710)			
Final Loan Condo (customer)	(8.0361)			

HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.3991	0.1996	-	
Distribution (kW)	47.4800	133.5803	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1666)			
Final Loan Condo (customer)	(8.0372)			
Cust. Type: Commercial				
Distribution (kWh)	0.6969	0.3485	-	
Distribution (kW)	-	109.8403	219.6807	219.6807
Supply (kWh)	-	-	-	
Supply (Customer)	27.2400	35.0802	42.9203	42.9203
Metering (Customer)	44.9900	40.4665	35.9431	35.9431
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.2754)			
Final Loan Condo (customer)	(8.0371)			

18. VRESKO submits that the implementation of the proposed rates would work to the best interest of its consumers as the cooperative will be encouraged to become more efficient and be able to deliver reliable, efficient and quality service to its consumers. Further, VRESKO has chosen to implement the proposed rates during the transition period as follows: in two (2) trances for the DSM Rates to mitigate the impact of the adjustment towards the initial tariff caps, and 100% for the CAPEX rate to be able to immediately raise necessary funds for its CAPEX projects.

19. VRESKO 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 Negros Occidental and the Sangguniang Bayan of Manapla, and published the Application in its entirety in a newspaper of general circulation in the Province of Negros Occidental.

20. Attached and made integral parts of this application are the following 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 VRESCO, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		Distribution	Supply	Metering	CAPEX
Residential	PhP/kWh	0.5782	0.6001	0.4326	0.2904
	PhP/Meter/Mo.			5.00	
Low Voltage	PhP/kWh	0.7595			0.2904
	PhP/Cust./Mo.		42.92	35.94	
Higher Voltage	PhP/kW	219.68			
	PhP/Cust./ Mo.		42.92	35.94	
	PhP/kWh				0.2904

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, 30 October 2009.

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By:



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MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008
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Republic of the Philippines)
) Ss.

**VERI FICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

I, **ENGR. EDUARDO B. PARROCHO** of legal age, Filipino and with office address at the Main Office of **V-M-C RURAL ELECTRIC SERVICE COOPERATIVE, INC. (VRESCO)** Crossing Tortosa, Manapla, Negros Occidental after being sworn to according to law, depose and state that:

1. I am the General Manager of V-M-C Rural Electric Cooperative, Inc. (VRESCO);

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 VRESCO;

3. VRESCO 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. EDUARDO B. PARROCHO
Affiant

SUBSCRIBED AND SWORN to before me in _____, this ____ day of October 2009 by the affiant who exhibited to me his _____.

Notary Public

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