

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

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

ERC CASE NO. 2009-__ RC

**ZAMBALES II ELECTRIC
COOPERATIVE, Inc. (ZAMECO II)
Applicant.**

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A P P L I C A T I O N

COMES NOW, applicant Zambales II Electric Cooperative, Inc. (ZAMECO II for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ZAMECO 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 Brgy. Magsaysay, Castillejos, Zambales, where it may be served with summons and other legal processes, represented in this instance by its OIC - General Manager, Engr. Alvin Farrales, of legal age, Filipino and with office address also at ZAMECO 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 cities/municipalities of the province of Zambales, namely: Subic, Castillejos, San Marcelino, San Antonio, San Narciso, San Felipe and Cabangan;
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. Said regulatory framework is embodied in a document denominated as 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. ZAMECO II participated in the abovementioned public consultations, it has likewise submitted data/documents required by the ERC for purposes of implementing said rules;
9. On April 30, 2009, ZAMECO II Board of Director's passed Board Resolution No. 21 Series of 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 locality wherein the electric cooperatives operate, the ERC published for promulgation on September 24, 2009 the final RSEC-WR; thus, this application;
11. Under the RSEC-WR, ZAMECO II was categorized as Group "D";
12. As a Group "D" EC, ZAMECO II determined Operating Revenue Requirement (ORR) per kWh is PhP 1.1400;
13. Further, ZAMECO 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 BAPA	Residential Customers
Commercial Industrial Public Building Street Lights	
Industrial Public Building	Low Voltage Customers
Industrial Public Building	Higher Voltage Customers

14. After functionalizing and allocating its ORR and using the new customer class, ZAMECO II 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 Customers		Higher Voltage Customers	
	Php/kwh	Php/meter /mo.	Php/kwh	Php/cust /mo.	Php/kw	Php/cust/mo .
Distribution	.5143		.5134		190.03	
Supply	.5828			41.61		41.61
Metering	.3669	5 .00		31.19		31.19

15. As a Group “D” EC, ZAMECO II is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP .2805/kWh;

16. Considering the abovementioned rates, ZAMECO II rate caps would be as follows: 1.) DSM – PhP1.1400; and 2.) MCC – PhP0.2508;

GROUP D	Residential		Low Voltage		Higher Voltage		
	Php/kwh	Php/meter /mo.	Php/kwh	Php/cust /mo.	Php/kw	Php/kwH	Php/cust /mo.
Distribution	.5143		.5134		190.03		
Supply	.5828			41.61			41.61
Metering	.3669	5.00		31.19			31.19
Member's Contribution for CAPEX	.2508		.2508			.2508	

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

Table 3. Proposed Transition Rates

Group: D				
Name: ZAMECO II				
	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.3333	0.3333	0.3333
Residential				
Residential:				
Distribution (kWh)				
Distribution (kWh)	0.8781	0.7569	0.6356	0.5143
Supply (kWh)	0.1892	0.3204	0.4516	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3900	0.3823	0.3746	0.3669
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.3765)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)				
Distribution (kWh)	0.7280	0.6565	0.5850	0.5134
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	22.2600	28.7095	35.1590	41.6104
Metering (Customer)	128.4100	96.0074	63.6049	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.2367)			
Final Loan Condo (customer)	(17.4572)			
Cust. Type: Public Building				
Distribution (kWh)	0.6895	0.6308	0.5721	0.5134
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	71.8700	61.7845	51.6989	41.6104
Metering (Customer)	38.9700	36.3778	33.7856	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.2185)			
Final Loan Condo (customer)	(6.0013)			

Cust. Type: Street Light				
Distribution (kWh)	8.2954	5.7017	3.1079	0.5134
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	16.9600	25.1760	33.3920	41.6104
Metering (Customer)	38.9700	36.3778	33.7856	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(1.2017)			
Final Loan Condo (customer)	(1.5852)			
Cust. Type: Industrial				
Distribution (kWh)	0.4992	0.5039	0.5087	0.5134
Distribution (kW)	20.30	13.5334	6.7668	
Supply (kWh)				
Supply (Customer)	327.3200	232.0930	136.8660	41.6104
Metering (Customer)	311.8400	218.3002	124.7604	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.2086)			
Final Loan Condo (customer)	(42.3946)			
HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.4992	0.3328	0.1664	
Distribution (kW)	20.3000	76.8700	133.4399	190.0268
Supply (kWh)				
Supply (Customer)	327.3200	232.0930	136.8660	41.6104
Metering (Customer)	311.8400	218.3002	124.7604	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.2086)			
Final Loan Condo (customer)	(42.3946)			
Cust. Type: Public Building				
Distribution (kWh)	0.6895	0.4597	0.2299	
Distribution (kW)		63.3359	126.6719	190.0268
Supply (kWh)				
Supply (Customer)	71.8700	61.7845	51.6989	41.6104
Metering (Customer)	38.9700	36.3778	33.7856	31.1926
Metering (kWh)				
Members Contribution for Capital Expenditures		0.0836	0.1672	0.2508
Final Loan Condo (kWh)	(0.2185)			
Final Loan Condo (customer)	(6.0013)			

18. ZAMECO II believes that the implementation of the proposed rates would be to the best interest of its consumers; and

19 ZAMECO 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 bodies within the franchise area and published the Application in its entirety in a newspaper of general circulation in the Province of Zambales.

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 ZAMECO II, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN		
		D	S	M
Residential	Php/kwh	0.5143	0.5828	0.3669
	Php/cust/mo			5.00
CAPEX	Php/kwh	0.2508		
>220v	Php/kwh	0.5134		
	Php/cust/mo		41.61	31.19
CAPEX	Php/kwh	0.2508		
<220V Three Phase	Php/kw	190.03		
	Php/cust/mo		41.61	31.19
CAPEX	Php/kwh	0.2508		

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.

Cainta, Rizal for Pasig City, 10 October 2009.

ARNIDO O INUMERABLE
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