

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

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

ERC CASE NO. 2009-128RC

**ILOCOS NORTE ELECTRIC
COOPERATIVE, INC. (INEC)
Applicant.**

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A P P L I C A T I O N

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

1. ILOCOS NORTE ELECTRIC COOPERATIVE, INC (INEC) 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 Suyo, Dingras, Ilocos Norte, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Renato A. Balintec, of legal age, Filipino and with office address also at Suyo, Dingras, Ilocos Norte, INEC's 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 Ilocos Norte, namely: Adams, Bacarra, Badoc, Bangui, Banna, Batac City, Burgos, Carasi, Currimao,

Dingras, Dumalneg, Laoag City, Marcos, Nueva Era, Pagudpud, Paoay, Pasuquin, Piddig, Pinili, San Nicolas, Sarrat, Solsona and Vintar;

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. INEC participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of the 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 April 28, 2009, INEC’s Board of Director’s passed Board Resolution No. 28-04-2009, 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 and the same was published in the Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, INEC is categorized under Group “F”;

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

13. Further, INEC 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
Industrial	
Public Building	
Street Lights	
Irrigation	
Large Commercial	Higher Voltage Customers
Industrial	

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

Table 2 : Initial DSM Rate Caps Per Customer Class

GROUP F	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/ Month	PhP/kWh	PhP/Cust/ Month	PhP/kW	PhP/Cust/ Month
Distribution	0.4613		0.4441		167.56	
Supply	0.5376			46.60		46.60
Metering	0.3205	5.00		32.78		32.78

15. As a Group “F” EC, INEC is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP 0.2178/kWh;

16. Considering the above-mentioned rates, INEC’s rate would be as follows: 1.) DSM - PhP 0.9900; and 2.) MCC – PhP 0.2317/kwh;

GROUP F	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/Meter/ Month	PhP/kWh	PhP/Cust/ Month	PhP/kW	PhP/kWh	PhP/Cust/ Month
Distribution	0.4613		0.4441		167.56		
Supply	0.5376			46.60			46.60
Metering	0.3205	5.00		32.78			32.78
Member’s Contribution for CAPEX	0.2317		0.2317			0.2317	

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

Table 3 : Proposed Transition Rates

F
Name : ILOCOS NORTE 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)	0.8852	0.7439	0.6026	0.4613
Supply (kWh)	0.5889	0.5718	0.5547	0.5376
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3066	0.3112	0.3158	0.3205
Members Contribution for Capital				
Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.1768)			
SUB-TOTAL				
LOW VOLTAGE				
Cust. Type: Small Commercial				
Distribution (kWh)	0.6541	0.5841	0.5141	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	40.0100	42.2083	44.4065	46.6048
Metering (Customer)	30.8100	31.4673	32.1245	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.1080)			
Final Loan Condo (customer)	(3.0153)			

Cust. Type: Large Commercial				
Distribution (kWh)	0.3901	0.4081	0.4261	0.4441
Distribution (kW)	19.3600	12.9067	6.4533	
Supply (kWh)	-	-	-	
Supply (Customer)	40.0100	42.2083	44.4065	46.6048
Metering (Customer)	83.4400	66.5539	49.6679	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.0818)			
Final Loan Condo (customer)	(7.6715)			
Cust. Type: Industrial				
Distribution (kWh)	0.5792	0.5342	0.4892	0.4441
Distribution (kW)	19.3600	12.9067	6.4533	
Supply (kWh)	-	-	-	
Supply (Customer)	95.9900	79.5283	63.0665	46.6048
Metering (Customer)	616.2200	421.7406	227.2612	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.3586)			
Final Loan Condo (customer)	(234.1119)			
Cust. Type: Irrigation				
Distribution (kWh)	0.3134	0.3570	0.4006	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	40.0200	42.2149	44.4098	46.6048
Metering (Customer)	176.5100	128.6006	80.6912	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.0544)			
Final Loan Condo (customer)	(15.9048)			
Cust. Type: Public Buildings				
Distribution (kWh)	1.2259	0.9653	0.7047	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	39.2400	41.6949	44.1498	46.6048
Metering (Customer)	29.2300	30.4139	31.5979	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.0703)			
Final Loan Condo (customer)	(0.3909)			

Cust. Type: Street Lights				
Distribution (kWh)	1.7702	1.3282	0.8862	0.4441
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	40.0100	42.2083	44.4065	46.6048
Metering (Customer)	24.0200	26.9406	29.8612	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.2666)			
Final Loan Condo (customer)	(0.3423)			
SUB-TOTAL				
HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.5792	0.3861	0.1931	
Distribution (kW)	19.3600	68.7611	118.1621	167.5632
Supply (kWh)	-	-	-	
Supply (Customer)	95.9900	79.5283	63.0665	46.6048
Metering (Customer)	616.2200	421.7406	227.2612	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.3586)			
Final Loan Condo (customer)	(234.1119)			
Cust. Type: Large Commercial				
Distribution (kWh)	0.3901	0.2601	0.1300	
Distribution (kW)	19.3600	68.7611	118.1621	167.5632
Supply (kWh)	-	-	-	
Supply (Customer)	40.0100	42.2083	44.4065	46.6048
Metering (Customer)	83.4400	66.5539	49.6679	32.7818
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.2317	0.2317	0.2317
Final Loan Condo (kWh)	(0.0818)			
Final Loan Condo (customer)	(7.6715)			

18. INEC submits that the implementation of the proposed rates would be to 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, INEC 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. INEC 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 Ilocos Norte and the Sangguniang Bayan of Dingras, Ilocos Norte and published the Application in its entirety in a newspaper of general circulation in the Province of Ilocos Norte.

20. Attached and made integral parts of this application are the following supporting documents and annexes, to wit:

- Board Resolution authorizing the filing of the instant application;
- Board Resolution imploring upon the ERC to implement the RSEC-WR;
- Local publication of the Application with Affidavit of Publication;
- Certifications of the concerned local Sanggunians;
- Completed RSEC-WR UFR Model;
- Completed Transition Model;
- Working papers pm details and explanations;
- 2008 Audited Financial Statement;
- Billing Determinants & Customer Class Allocation
- 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 **ILOCOS NORTE ELECTRIC COOPERATIVE, INC. (INEC)** as follows:

TYPE OF	UNITS	RATE DESIGN	CAPEX
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		DISTRIBUTION	SUPPLY	METERING	
Residential	Php/ kWh	0.4613	0.5376	0.3205	0.2317
	Php/meter/mo			5.00	
Low Voltage	Php/kWh	0.4441			0.2317
	Php/Cust/mo		46.60	32.78	
Higher Voltage	Php/KW	167.56			
	Php/Cust/mo		46.60	32.78	
	Php/KWh				0.2317

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 27, 2009.

DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
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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)
Pasig City, Metro Manila) Ss.

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

I, Engr. Renato A. Balintec, PEE. of legal age, Filipino and with office address at the Main Office of Ilocos Norte Electric Cooperative, Inc. (INEC), Brgy. Suyo, Dingras, Ilocos Norte, after being sworn to according to law, depose and state that:

1. I am the General Manager of Ilocos Norte Electric Cooperative, Inc. (INEC);

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 INEC;

3. INEC 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 there from.

IN WITNESS WHEREOF, I have hereunto set my hand this 28TH day of October, 2009 at Pasig City, Metro Manila.

ENGR. RENATO A. BALINTEC, PEE
Affiant

SUBSCRIBED AND SWORN to before me in this 28TH day of October 2009 by the affiant who exhibited to me his SSS I.D. bearing No. 01-0174559-4.

Notary Public

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