

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. 2009-132RC

NEGROS ORIENTAL I  
ELECTRIC COOPERATIVE, Inc.  
(NORECO I)

Applicant.

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

**COMES NOW**, applicant **NEGROS ORIENTAL I ELECTRIC COOPERATIVE, INC. (NORECO I** for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. NORECO I 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 Tinaogan, Bindoy, Negros Oriental, where it may be served with summons and other legal processes, represented in this instance by its OIC-General Manager, **EDMUND B. NOCHEFRANCA**, of legal age, Filipino and with office address also at NORECO I 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

ORIENTAL, namely: Manjuyod, Bindoy, Ayungon, Tayasan, Jimalalud, La Libertad, Guihulngan, Vallehermoso, Canlaon City, Bais City and Mabinay;

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. NORECO I participated in the above mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said 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 May 12, 2009, NORECO I Board of Directors passed Board Resolution No. 09-057, 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, NORECO I is categorized under Group “D”;

12. As a Group “D” EC, NORECO I’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP1.14;

13. Further, NORECO I 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	
Sale for Resale	
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Industrial	Higher Voltage Customers

14. After functionalizing and allocating the above set ORR and using the new customer class, NORECO I’s 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/meter/mo.	PhP/kWh	PhP/cust/mo.	PhP/meter/mo.
<b>Distribution</b>	0.5143		0.5134			190.03		
<b>Supply</b>	0.5828			41.6100			41.6100	
<b>Metering</b>	0.3669	5.0000			31.1900			31.1900

15. As a Group “D” EC, NORECO I is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP 0.2508/kWh;

16. Considering the abovementioned rates, NORECO I's rate caps would be as follows: 1.) DSM – 1.14; and 2.) MCC - 0.2508;

GROUP D	RESIDENTIAL		LOW VOLTAGE			HIGHER VOLTAGE			
	Php/kWh	Php/meter/mo.	Php/kWh	Php/cust/mo.	Php/meter/mo.	Php/kW	Php/kwh	Php/cust/mo.	Php/meter/mo.
<b>Distribution</b>	0.5143		0.5134			190.03			
<b>Supply</b>	0.5828			41.6100				41.6100	
<b>Metering</b>	0.3669	5.0000			31.1900				31.1900
<b>Members Contribution for Capital Expenditures</b>	0.2508		0.2508				0.2508		

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

**Table 3. Proposed Transition Rates**

**D**  
**Name: NEGROS ORIENTAL ELECTRIC COOPERATIVE, INC.**

		Rates Billed			
		Current	Start of Transition	End of Year one	End of Transition
Percentage increase		1.0000	0.2000	0.4000	0.4000
<b>RESIDENTIAL</b>					
<b>Cust. Type: Residential/BAPA</b>					
Distribution	Php/kwh	1.3389	1.1740	0.8442	0.5143
Supply	Php/kwh	0.3631	0.4070	0.4949	0.5828
Metering	Php/meter/mo	5.0000	5.0000	5.0000	5.0000
Metering	Php/kwh	0.3173	0.3272	0.3470	0.3669
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
<b>Cust. Type: Sale for Resale</b>					
Distribution	Php/kwh	0.3453	0.3791	0.4467	0.5143
Supply	Php/kwh	-	0.1166	0.3497	0.5828
Metering	Php/meter/mo	52.4700	42.9760	23.9880	5.0000

Metering	Php/kwh	-	0.0734	0.2201	0.3669
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
		<b>LOW VOLTAGE</b>			
<b>Cust. Type: Commercial</b>					
Distribution	Php/kwh	0.9125	0.8327	0.6731	0.5134
Distribution	Php/kw	-	-		
Supply	Php/kwh	-	-		
Supply	Php/cust/mo	25.3300	28.5861	35.0982	41.6104
Metering	Php/meter/mo	27.1400	27.9505	29.5716	31.1926
Metering	Php/kwh	-	-		
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
Final Loan Condo	Php/cust/mo				
<b>Cust. Type: Industrial</b>					
Distribution	Php/kwh	0.8182	0.7572	0.6353	0.5134
Distribution	Php/kw	19.8000	15.8400	7.9200	
Supply	Php/kwh	-	-		
Supply	Php/cust/mo	25.3300	28.5861	35.0982	41.6104
Metering	Php/meter/mo	27.1400	27.9505	29.5716	31.1926
Metering	Php/kwh	-	-		
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
Final Loan Condo	Php/cust/mo				
<b>Cust. Type: Street Lights</b>					
Distribution	Php/kwh	1.7350	1.4907	1.0021	0.5134
Distribution	Php/kw				
Supply	Php/kwh				
Supply	Php/cust/mo	25.3300	28.5861	35.0982	41.6104
Metering	Php/meter/mo	27.1400	27.9505	29.5716	31.1926
Metering	Php/kwh	-	-		
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
Final Loan Condo	Php/cust/mo				
<b>Cust. Type: Public Buildings</b>					
Distribution	Php/kwh	0.2450	0.2987	0.4061	0.5134
Distribution	Php/kw	-	-		
Supply	Php/kwh	-	-		
Supply	Php/cust/mo	25.3300	28.5861	35.0982	41.6104
Metering	Php/meter/mo	27.1400	27.9505	29.5716	31.1926

Metering	Php/kwh	-	-		
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
Final Loan Condo	Php/cust/mo				
<b>HIGHER VOLTAGE</b>					
Cust. Type: Industrial					
Distribution	Php/kwh	0.8182	0.6546	0.3273	
Distribution	Php/kw	19.8000	53.8454	121.9361	190.0268
Supply	Php/kwh	-	-		
Supply	Php/cust/mo	25.3300	28.5861	35.0982	41.6104
Metering	Php/meter/mo	27.1400	27.9505	29.5716	31.1926
Metering	Php/kwh	-	-		
Members Contribution for Capital Expenditures	Php/kwh		0.3763	0.3763	0.3763
Final Loan Condo	Php/kwh				
Final Loan Condo	Php/cust/mo				

18. NORECO I 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, NORECO has chosen to implement the proposed rates as follows: three (3) trances for the DSM Rates during the transition period to mitigate the impact of the adjustment towards the initial tariff caps and 100% for CAPEX rates at the start of the transition period be able to provide NORECO I necessary funds to finance its CAPEX projects.

19. NORECO I 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 oriental and the Sangguniang Bayan of Bindoy and published the Application in its entirety in a newspaper of general circulation in the Province of NEGROS ORIENTAL.

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 upon 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. 2008 Audited Financial Statement
- h. Billing Determinants & Customer Class Allocation
- i. 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 NORECO I, as follows:

TYPE OF CUSTOMERS	UNITS	RATE DESIGN			
		D	S	M	MCC
Residential	PhP/kWh	0.5143	0.5828	0.3669	0.3763
	Php/Cust/Mo				
	PhP/Meter/Mo			5.0000	
Low Voltage	PhP/kWh	0.5134			0.3763
	Php/Cust/Mo		41.6100		
	PhP/Meter/Mo			31.1900	
Higher Voltage	PhP/kWh				0.3763
	PhP/kW	190.0300			
	PhP/Cust/Mo		41.6100		
	PhP/Meter/Mo			31.1900	

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, 3 November 2009.

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MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008

PTR#5098945 Jan. 5, 2009 Pasig

IBP# 767996 Jan. 5, 2009 Rizal