

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

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

ERC CASE NO. 2009-135 RC

**ILOILO 1 ELECTRIC
COOPERATIVE, INC. (ILECO 1)
Applicant.
X-----X**

A P P L I C A T I O N

COMES NOW, applicant **ILOILO 1 ELECTRIC COOPERATIVE, INC. (ILECO 1)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ILECO 1 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 Tigbauan, Iloilo, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. WILFRED L. BILLENA, of legal age, Filipino and with office address also at Tigbauan, Iloilo, ILECO 1 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 Iloilo namely:

Alimodian, Cabatuan, Guimbal, Igaras, Leganes, Leon, Maasin, Miag-ao, Oton, Pavia, San Joaquin, San Miguel, Sta, Barbara, Tigbauan and Tubungan;

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 Energy Regulatory Commission (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 now embodied in the new *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. ILECO 1 participated in the above-mentioned public consultations and submitted data/documents required by the ERC during the drafting of the said Rules;

9. On July 3, 2009 ILECO 1’s Board of Directors passed Board Resolution No. 2009-071, 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, ILECO 1 is categorized under Group “E”;

12. As a Group “E” EC, ILECO 1’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 1.32;

13. Further, ILECO 1 is required to implement a new customer class, as follows:

Table 1. Existing Customer Class and New Customer Class

Residential	Residential Customers
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Industrial	Higher Voltage Customers
Commercial	
Public Building	

14. After functionalizing and allocating its ORR and using the new customer class, ILECO 1’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, ILECO 1 is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.2904 /kWh;

16. Considering the abovementioned rates, ILECO 1’s rate caps would be as follows: 1.) DSM – 1.32 and 2.) MCC – 0.2904;

17. ILECO 1 intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

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	5.00		35.94			35.94
Member’s Contribution for CAPEX	0.2904		0.2904			0.2904	

E
Name: ILECO 1

	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)	0.9124	0.8010	0.6896	0.5782
Supply (kWh)	0.6552	0.6368	0.6185	0.6001
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3144	0.3538	0.3932	0.4326
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.1914)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.4655	0.5635	0.6615	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	27.7100	30.4543	33.1987	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0728)			
Final Loan Condo (customer)	(3.2112)			

Cust. Type: Public Building				
Distribution (kWh)	0.1646	0.3629	0.5612	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	25.9000	29.2477	32.5953	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0270)			
Final Loan Condo (customer)	(3.0586)			

Cust. Type: Street Lights				
Distribution (kWh)	1.2174	1.0648	0.9121	0.7595
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	27.7100	30.4543	33.1987	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.2303)			
Final Loan Condo (customer)	(3.2112)			

Cust. Type: Industrial				
Distribution (kWh)	0.3287	0.4723	0.6159	0.7595
Distribution (kW)	27.5000	18.3334	9.1669	
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	288.3500	204.2152	120.0804	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0667)			
Final Loan Condo (customer)	(25.2221)			

HIGHER VOLTAGE				
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Cust. Type: Industrial				
Distribution (kWh)	0.3287	0.2191	0.1096	
Distribution (kW)	27.5000	91.5596	155.6192	219.6807
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	288.3500	204.2152	120.0804	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital				
Expenditures		0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0667)			
Final Loan Condo (customer)	(25.2221)			

Cust. Type: Commercial				
Distribution (kWh)	0.4655	0.3103	0.1552	
Distribution (kW)		73.2262	146.4523	219.6807
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	27.7100	30.4543	33.1987	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures				
	-	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0728)			
Final Loan Condo (customer)	(3.2112)			
Cust. Type: Public Building				
Distribution (kWh)	0.1646	0.1097	0.0549	
Distribution (kW)	-	73.2262	146.4523	219.6807
Supply (kWh)		-	-	
Supply (Customer)	51.7400	48.8001	45.8603	42.9203
Metering (Customer)	25.9000	29.2477	32.5953	35.9431
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures				
	-	0.2904	0.2904	0.2904
Final Loan Condo (kWh)	(0.0270)			
Final Loan Condo (customer)	(3.0586)			

18. ILECO 1 submits that the implementation of the proposed rates would work to the best interest of its consumers as it would benchmark with utilities of the same operating parameters and also reflect the true cost of service to different customer class. It would also provide elbow room to finance the improvement of services to its customers. Further, ILECO 1 has chosen to implement the proposed rates at one third (1/3) for the Distribution, Supply and Metering (DSM) at the start of the transition period in order to mitigate the impact of whatever adjustments. The Members' Contribution for Capital Expenditures (MCC) however, shall be implemented 100 percent (PhP0.2904).

19. ILECO 1 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 Iloilo and the Sangguniang Bayan of Tigbauan and published the Application in its entirety in a newspaper of general circulation in the Province of Iloilo.

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 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 ILECO 1, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			
		D	S	M	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, Metro Manila, October 28 2009.

**DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES**

Counsel for ILECO 1

Units 1609-1610 Tycoon Centre Condo.,
Pearl Drive, Ortigas Center
Pasig City, Metro Manila

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 RizalZS

Republic of the Philippines)
Province of Iloilo) Ss.

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

I, WILFRED L. BILLENA of legal age, Filipino and with office address at the Main Office of Iloilo 1 Electric Cooperative, Inc. (ILECO 1), Tigbauan, Iloilo, after being sworn to according to law, depose and state that:

1. I am the General Manager of Iloilo 1 Electric Cooperative, Inc. (ILECO 1);
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 ILECO 1;
3. ILECO 1 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 4th day of November, 2009 at _____.

WILFRED L. BILLENA
Affiant

SUBSCRIBED AND SWORN to before me in _____, this ___ day of November 2009 by the affiant who exhibited to me his _____ issued at _____ and with validity until _____.

Notary Public

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