

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

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

ERC CASE NO. 2009-136 RC

**SOUTHERN LEYTE ELECTRIC
COOPERATIVE, INC. (SOLECO)
Applicant.**

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A P P L I C A T I O N

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

1. SOLECO 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. Soro-Soro, Maasin City, Southern Leyte, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ROSELLO S. GERONG, of legal age, Filipino and with office address also at SOLECO 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 Southern Leyte, namely: Maasin, Macrohon, Padre Burgos, Malitbog, Tomas Oppus, Bontoc, Sogod, Libagon, Liloan, San Francisco, Pintuyan, San Ricardo,

Saint Bernard, San Juan, Anahawan, Hinundayan, Hinunangan, Silago and Limasawa.

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 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. SOLECO participated in the above-mentioned public consultations and likewise submitted data/documents required by the ERC during the drafting of the said Rules;

9. On April 7, 2009, SOLECO Board of Directors passed Board Resolution No. 24-2009, 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 on September 22, 2009 and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, SOLECO is categorized under Group “B”;
12. As a Group “B” EC, SOLECO’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 1.82;
13. Further, SOLECO 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
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Large Load	Higher Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP B	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.8449		0.9259		267.90	
Supply	0.7732			40.15		40.15
Metering	0.4569	5.00		28.72		28.72

15. As a Group “B” EC, SOLECO is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP 0.4004 /kWh;

16. Considering the abovementioned rates, SOLECO’s rate caps would be as follows: 1.) DSM – 1.82; and 2.) MCC – 0.4004;

GROUP B	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.8449		0.9259		267.9000	
Supply	0.7732			40.1500		40.1500
Metering	0.4569	5.0000		28.7200		28.7200
Members Contribution for CAPEX	0.4004		0.4004			0.4004

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

Table 3. Proposed Transition Rates

Group : B					
Name : SOLECO					
		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)		1.3391	1.1744	1.0097	0.8449
Supply (kWh)		0.3525	0.4927	0.6330	0.7732
Metering (Customer)			5.0000	5.0000	5.0000
Metering (kWh)		0.3204	0.3659	0.4114	0.4569
Member Contri.for Capital Expenditure			0.4004	0.4004	0.4004

LOW VOLTAGE				
Commercial				
Distribution (kWh)	0.3534	0.5442	0.7351	0.9259
Supply (kWh)				
Supply (Customer)	27.1700	31.4959	35.8218	40.1500
Metering (Customer)	24.8100	26.1149	27.4197	28.7200
Metering (kWh)				
Member Contri.for Capital Expenditure		0.4004	0.4004	0.4004
Industrial				
Distribution (kWh)	0			0
Distribution (kW)	0			0
Supply (kWh)	0			0
Supply (Customer)	0			0
Metering (Customer)	0			0
Metering (kWh)				0
Member Contri.for Capital Expenditure				0
Public Building				
Distribution (kWh)	0.5460	0.6726	0.7993	0.9259
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	22.4400	28.3426	34.2451	40.1500
Metering (Customer)	23.1600	25.0149	26.8697	28.7200
Metering (kWh)				
Member Contri.for Capital Expenditure		0.4004	0.4004	0.4004
Street Lights				
Distribution (kWh)	0.8898	0.9018	0.9139	0.9259
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	25.5600	30.4226	35.2851	40.1500
Metering (Customer)		9.5749	19.1497	28.7200
Metering (kWh)				
Member Contri.for Capital Expenditure		0.4004	0.4004	0.4004
HIGH VOLTAGE				
Large Load				
Distribution (kWh)	0.0312	0.0208	0.0104	-
Distribution (kW)	22.0000	103.9679	185.9357	267.9000
Supply (kWh)				
Supply (Customer)	414.5800	289.7692	164.9585	40.1500
Metering (Customer)	38.0400	34.9349	31.8297	28.7200
Metering (kWh)				

18. SOLECO submits that the implementation of the proposed rates would work to the best interest of its consumers as it would improve operational efficiency thereby ensuring quality and reliable electric service. Further, SOLECO has chosen to implement the proposed rates in three staggered basis (1/3-1/3-1/3) in the DSM and one time in CAPEX at the start of the transition period in order to mitigate the rate impact to consumers without sacrificing the cooperative's operation.
19. SOLECO 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 Southern Leyte and the Sangguniang Panlungsod of Maasin and published the Application in its entirety in a newspaper of general circulation in the Province of Southern Leyte.
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 SOLECO, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN		
		D	S	M
Residential	PhP/kWh	0.8449	0.7732	0.4569
	PhP/Cust/Mo.			5.0000
CAPEX	PhP/kWh	0.4004		
Low Voltage	PhP/kWh	0.9259		
	PhP/Cust/Mo.		40.1500	28.7200
CAPEX	PhP/kWh	0.4004		
Higher Voltage	PhP/kWh	267.9000		
	PhP/Cust/Mo.		40.1500	28.7200
CAPEX	PhP/kWh	0.4004		

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 15, 2009.

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