

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. 2009-139 RC

ILOILO III ELECTRIC
COOPERATIVE, INC. (ILECO III)
Applicant.

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A P P L I C A T I O N

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

1. ILECO III 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. Preciosa, Sara, Iloilo, where it may be served with summons and other legal processes, represented in this instance by its OIC - General Manager, Engr. Antonio P. Lazarraga, of legal age, Filipino and with office address also at ILECO III.

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: San Rafael, Banate, Barotac Viejo, Anilao, Sara, Ajuy, Batad, Estancia, Carles, Balasan, San Dionisio, Lemery, Concepcion;
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. ILECO III participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said Rules;
9. On May 9, 2009, the ILECO III Board of Directors, issued Board Resolution No. 24, 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 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, ILECO III is categorized under Group “D”;
12. As a Group “D” EC, ILECO III’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP1.14;
13. Further, ILECO III 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, ILECO III's initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP	Residential		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kW	PhP/Cust/mo
D	Distribution	0.5143		0.5134		190.03
	Supply	0.5828			41.61	41.61
	Metering	0.3669	5.0000		31.19	31.19

15. As a Group "D" EC, ILECO III is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of Php.2508 /kWh;

16. Considering the abovementioned rates, ILECO III 's rate caps would be as follows: **1.) DSM – 1.14; and 2.) MCC – .2508;**

GROUP D	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	PhP/kW	PhP/Cust/mo
Distribution	0.5143		0.5134			190.03	
Supply	0.5828			41.61			41.61
Metering	0.3669	5.0000		31.19			31.19
MCC	0.2508		0.2508		0.2508		

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

Table 3. Proposed Transition Rates

D				
Name: ILOILO III ELECTRIC COOP. INC.,				
Rates Billed				
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.3300	0.3300	0.3400
RESIDENTIAL				

Cust. Type: Residential				
Distribution (kWh)	1.3938	1.1036	0.8134	0.5143
Supply (kWh)	0.5755	0.5779	0.5803	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4138	0.3983	0.3828	0.3669
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.4403)			
Cust. Type: Sale for Resale				
Distribution (kWh)	0.8432	0.7347	0.6262	0.5143
Supply (kWh)	-	0.1923	0.3847	0.5828
Supply (Customer)	177.0800			
Metering (Customer)	32.5900	23.4853	14.3806	5.0000
Metering (kWh)		0.1211	0.2421	0.3669
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.1973)			
Final Loan Condo (customer)	(6.3670)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.9533	0.8081	0.6630	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	48.7100	46.3671	44.0243	41.6104
Metering (Customer)	204.1800	147.0942	90.0083	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.2174)			
Final Loan Condo (customer)	(35.7782)			
Cust. Type: Public Building				
Distribution (kWh)	0.9144	0.7821	0.6498	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	54.3300	50.1325	45.9351	41.6104
Metering (Customer)	134.8800	100.6632	66.4463	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.2037)			
Final Loan Condo (customer)	(23.9002)			
Cust. Type: Street Lights				
Distribution (kWh)	1.2020	0.9748	0.7475	0.5134
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	

Supply (Customer)	42.2500	42.0389	41.8279	41.6104
Metering (Customer)	41.8200	38.3130	34.8059	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.2866)			
Final Loan Condo (customer)	(6.1948)			
Cust. Type: Industrial				
Distribution (kWh)	0.7415	0.6662	0.5910	0.5134
Distribution (kW)	11.0000	7.3700	3.7400	
Supply (kWh)	-	-	-	
Supply (Customer)	116.8500	92.0209	67.1919	41.6104
Metering (Customer)	451.2900	312.6579	174.0257	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.1653)			
Final Loan Condo (customer)	(78.1332)			
HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.7415	0.4968	0.2521	
Distribution (kW)	11.0000	70.0789	129.1577	190.0268
Supply (kWh)	-	-	-	
Supply (Customer)	116.8500	92.0209	67.1919	41.6104
Metering (Customer)	451.2900	312.6579	174.0257	31.1926
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.1653)			
Final Loan Condo (customer)	(78.1332)			
Cust. Type: Commercial				
Distribution (kWh)	0.9533	0.6387	0.3241	
Distribution (kW)		62.7089	125.4177	190.0268
Supply (kWh)		-	-	
Supply (Customer)	48.7100	46.3671	44.0243	41.6104
Metering (Customer)	204.1800	147.0942	90.0083	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures	-	0.4231	0.4231	0.4231
Final Loan Condo (kWh)	(0.2174)			
Final Loan Condo (customer)	(35.7782)			

18. ILECO III submits that the implementation of the proposed rates would be to the best interest of its consumers as it would be encouraged to become

more efficient and be able to deliver a more reliable and quality service to its consumers. Further, ILECO III 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 raise funds needed for its CAPEX projects .

19. ILECO III 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 the Province of Iloilo and the Sangguniang Bayan of Sara, and published the Application in its entirety in a newspaper of general circulation in the Province of Iloilo. **(NOTE FROM COUNSEL: ONE THE S. PANLALAWIGAN, AS WELL AS THE S. BAYAN OF THE PLACE WHERE THE EC's MAIN OFFICE IS LOCATED ARE REQUIRED TO BE FURNISHED)**

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. 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 III, as follows:

GROUP D	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	PhP/kW	PhP/Cust/mo
Distribution	0.5143		0.5134			190.03	
Supply	0.5828			41.61			41.61
Metering	0.3669	5.0000		31.19			31.19
MCC	0.4231		0.4231		0.4231		

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 29, 2009.

DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
Counsel for ILECO III
Units 1609-1610 Tycoon Centre
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 Rizal

(NOTE FROM COUNSEL: THE VERIFICATION WILL BE THE LAST PAGE OF THE APPLICATION TO BE PUBLISHED. THIS MAY BE NOTARIZED BY YOUR LOCAL NOTARY PUBLIC. PLS FILL UP THE BLANKS COMPLETELY)

Republic of the Philippines)
Province of Iloilo) Ss.

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

I, **ANTONIO P. LAZARRAGA** of legal age, Filipino and with office address at the Main Office of **ILOILO III Electric Cooperative, Inc. (ILECO III)**, **Brgy. Preciosa, Sara, Iloilo**, after being sworn to according to law, depose and state that:

1. I am the OIC-General Manager of **ILOILO III Electric Cooperative, Inc. (ILECO III)**;

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 **ILOILO III ELECTRIC COOPERATIVE, INC (ILECO III)**

3. **ILOILO III ELECTRIC COOPERATIVE, INC. (ILECO III)** 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 therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand this ____ day of October, 2009 at _____.

ANTONIO P. LAZARRAGA
Affiant

SUBSCRIBED AND SWORN to before me in _____, this ____ day of October 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.