

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

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

ERC CASE NO. 2009-144 RC

DAVAO DEL NORTE ELECTRIC
COOPERATIVE, INC. (DANECO)
Applicant.

X-----X

A P P L I C A T I O N

COMES NOW, applicant **DAVAO DEL NORTE ELECTRIC COOPERATIVE, INC. (DANECO)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. **DANECO** 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 Montevista, Compostela Valley Province, where it may be served with summons and other legal processes, represented in this instance by its OIC-General Manager, **ALLAN L. LANIBA, MM MPA**, of legal age, Filipino and with office address also at DANECO 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 of the Provinces of Davao del Norte and Compostela Valley, Cities of Tagum and Island Garden City of Samal (IGACOS), and the Municipalities of Monkayo, Montevista, Nabunturan, Compostela, New Bataan, Mawab, Maragusan, Maco, Mabini, Pantukan, Laak, Talaingod, Asuncion, Kapalong, New Corella and San Isidro;

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. **DANECO** 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 now embodied in the new *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 June 27, 2009, DANECO Board of Directors passed Board Resolution No. 110-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 on September 22, 2009 and the same was published in the Manila Bulletin on September 24, 2009;

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

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

13. Further, **DANECO** 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, DANECO’ initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP F	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
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, **DANECO** is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of **PhP 0.2178 /kWh**;

16. Considering the abovementioned rates, DANECO’s rate caps would be as follows: 1.) **DSM – 1.7635**; and 2.) **MCC – 0.2178**;

GROUP F	Residential		Low Voltage		Higher Voltage		
	PhP/kWh	PhP/meter/mo.	PhP/kWh	PhP/Cust/Mo	PhP/kWh	PhP/kWh	PhP/Cust/mo
Distribution	0.4613		0.4441		167.56		
Supply	0.5376			46.60			46.60
Metering	0.3205	5.0000		32.78			32.78
Member's Contribution for CAPEX	0.2178		0.2178			0.2178	

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

Table 3. Proposed Transition Rates

Group : F		Rates Billed			
Name : DANECO		Current	Start of Transition	End of Year one	End of Transition
Percentage Increase		1.0000	.3333	.3333	-
RESIDENTIAL					
Residential :					
Distribution (kWh)		0.6663	0.5980	0.5296	0.4613
Supply (kWh)		0.3204	0.3928	0.4652	0.5376
Metering (Customer)		5.000	5.000	5.000	5.000
Metering (kWh)		0.2670	0.2848	0.3026	0.3205
Member Contri.for Capital Expenditure			0.2178	0.2178	0.2178
LOW VOLTAGE					
Commercial					
Distribution (kWh)		0.5992	.5475	.4958	0.4441
Supply (kWh)					
Supply (Customer)		41.60	43.2683	44.9365	46.6048
Metering (Customer)		56.54	48.6206	40.7012	32.7818
Metering (kWh)					
Member Contri.for Capital Expenditure			0.2178	0.2178	0.2178
Industrial					
Distribution (kWh)		0.2904	0.3416	0.3929	0.4441
Distribution (kW)					
Supply (kWh)					
Supply (Customer)		41.60	43.26	44.9365	46.60
Metering (Customer)		433.73	300.0806	166.4312	32.78
Metering (kWh)					
Member Contri.for Capital Expenditure			0.2178	0.2178	0.2178
Public Building					

Distribution (kWh)	0.4938	.4772	.4607	0.4441
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	41.60	43.2683	44.9365	46.6048
Metering (Customer)	56.56	48.6206	40.7012	32.7818
Metering (kWh)				
Member Contri.for Capital Expenditure		0.2178	0.2178	0.2178
Street Lights				
Distribution (kWh)	2.9169	2.0926	1.2684	0.4441
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	18.87	28.1149	37.3598	46.6048
Metering (Customer)	16.58	21.9806	27.3812	32.7818
Metering (kWh)				
Member Contri.for Capital Expenditure		0.2178	0.2178	0.2178
HIGHER VOLTAGE				
Industrial- Small Load				
Distribution (kWh)	0.2904	.1936	.0968	-
Distribution (kW)	20.90	69.7877	118.6755	167.5632
Supply (kWh)				
Supply (Customer)	41.60	43.2683	44.9365	46.6048
Metering (Customer)	433.73	300.0806	166.4312	32.7818
Metering (kWh)				
Member Contri.for Capital Expenditure		0.2178	0.2178	0.2178
Industrial-Large Load				
Distribution (kWh)	0.6008	0.4005	0.2003	-
Distribution (kW)	20.90	69.7877	118.6755	167.5632
Supply (kWh)				
Supply (Customer)	41.60	43.2683	44.9365	46.60
Metering (Customer)	433.73	300.0806	166.4312	32.78
Metering (kWh)				
Member Contri. for Capital Expenditure		0.2178	0.2178	0.2178

18. DANECO submits that the implementation of the proposed rates would work to the best interest of its consumers as it would encourage the cooperative to become more efficient, thereby improve the quality and reliability of its service to its consumers. Further, DANECO has chosen to implement the proposed rates at the start of the transition period - 1/3 of the DSM rates to mitigate the impact of the adjustment towards the initial tariff, and 100% of the CAPEX rate to be able to raise the necessary funds required for its projects.

19. DANECO 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 Davao del Norte and Compostela Valley and the Sangguniang Panlungsod ng Tagum and Sangguniang Bayan of Montevista and published the Application in its entirety in a newspaper of general circulation in the Provinces of Davao del Norte and Compostela Valley.

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 DANECO, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			CAPEX
		D	S	M	
Residential	PhP/kWh	0.4613	0.5376	0.3205	0.2178
	PhP/ Meter /Mo.			5.00	
Low Voltage	PhP/kWh	0.4441			0.2178
	PhP/Cust/Mo.		46.60	32.78	
Higher Voltage	PhP/kW	167.56			
	PhP/Cust/Mo.		46.60	32.78	
CAPEX	PhP/kWh				0.2178

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 26, 2009.

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

Counsel for DANECO
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 Rizal

Republic of the Philippines)
City of Tagum)
Province of Davao del Norte) Ss.

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

I, **ALLAN L. LANIBA**, of legal age, Filipino and with office address at the Main Office of Davao del Norte Electric Cooperative, Inc. (DANECO), Montevista, Compostela Valley Province, after being sworn to according to law, depose and state that:

1. I am the OIC-General Manager of Davao del Norte Electric Cooperative, Inc. (DANECO);

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 DANECO;

3. **DANECO** 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 27th day of October, 2009 at Tagum City, Davao del Norte.

ALLAN L. LANIBA
Affiant
CTC No. 10440468
Issued at: Tagum City
Issued on: January 6, 2009

SUBSCRIBED AND SWORN to before this 27th day of October 2009 at Tagum City, Province of Davao del Norte, Philippines.

JESUS T. ALBACITE
NOTARY PUBLIC
Until Dec. 31, 2010
PTR No. 0766605/1-06-09
IBP No. 725366/1-05-09
Roll No. 23275/3-10-71
TIN -114-403-783
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