

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. 2009-146 RC

**LANAO DEL NORTE ELECTRIC
COOPERATIVE, Inc. (LANECO)
Applicant.**

X-----X

A P P L I C A T I O N

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

1. LANEKO 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 Sagadan, Tubod, Lanao del Norte, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Resnol C. Torres, of legal age, Filipino and with office address also at the LANEKO 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 Lanao del Norte, namely: Bacolod, Baroy, Kapatagan, Kauswagan, Kolambugan, Lala, Linamon, Maigo, Magsaysay, Matungao, Munai, Poona Piagapo, Salvador, Sapad, Tankal, Tubod and Sultan Naga Dimaporo;

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) authorizes 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. 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. LANECO participated in the abovementioned public consultations, *and* likewise submitted data/documents required by the ERC during the drafting of the said Rules;

9. On May 13, 2009, LANECO's Board of Directors passed Board Resolution No. 54, 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 where the electric cooperatives operate, the ERC promulgated the final RSEC-WR on September 22, 2009, which was published in the Manila Bulletin on September 24, 2009;

11. Under the RSEC-WR, LANECO was categorized under Group " B ";

12. As a Group " B " EC, LANECO's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR is PhP 1.8200;

13. Further, LANECO 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 Public Building Street Lights Industrial	Low Voltage Customers
Industrial	Higher Voltage Customers

14. After functionalizing and allocating the its ORR and using the new customer class, LANECO’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.
Distribution	.8449		.9259		267.9036	
Supply	.7732			40.1477		40.1477
Metering	.4569	5.00		28.7246		28.7246

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

16. Considering the above mentioned rates, LANECO’s rate caps would be as follows: 1.) DSM – 1.820; and 2.) MCC - .4004;

GROUP	Residential		Low Voltage		Higher Voltage		
	PhP/kwh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	Php/kWh	PhP/Cust/Mo.
Distribution	0.8449		0.9259		267.9036		
Supply	0.7732			40.1477			40.1477
Metering	0.4569	5.00		28.7246			28.7246
Members Contribution for CAPEX	0.4004		0.4004			0.4004	

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

Table 3. Proposed Transition Rates

Group : B				
Name: LANAO DEL NORTE ELECTRIC COOPERATIVE, INC.				
Rates Billed				
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.8000	0.1000	0.1000
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	1.4858	0.9731	0.9090	0.8449
Supply (kWh)	0.4028	0.6991	0.7362	0.7732
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3290	0.4313	0.4441	0.4569
Members Contribution for Capital Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.2025)			

LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.5950	0.8597	0.8928	0.9259
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	19.0000	35.9182	38.0329	40.1477
Metering (Customer)	18.4300	26.6657	27.6952	28.7246
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.0773)			
Final Loan Condo (customer)	(0.6052)			

LOW VOLTAGE				
Cust. Type: Street Lights				
Distribution (kWh)	4.6505	1.5494	1.2376	0.9259
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	

Supply (Customer)	17.5500	35.6282	37.8879	40.1477
Metering (Customer)	7.3700	24.4537	26.5892	28.7246
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.6883)			
Final Loan Condo (customer)	(0.2523)			
LOW VOLTAGE				
Cust. Type: Public Buildings				
Distribution (kWh)	0.5846	0.8586	0.8923	0.9259
Distribution (kW)	-	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	18.9500	35.9082	38.0279	40.1477
Metering (Customer)	14.7400	25.9277	27.3262	28.7246
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.0760)			
Final Loan Condo (customer)	(0.5053)			
LOW VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.3145	0.8102	0.8681	0.9259
Distribution (kW)	21.78	-	-	
Supply (kWh)	-	-	-	
Supply (Customer)	19.5100	36.0202	38.0839	40.1477
Metering (Customer)	540.5000	131.0797	79.9022	28.7246
Metering (kWh)	-	-	-	
Members Contribution for Capital				
Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.0481)			
Final Loan Condo (customer)	(14.7700)			

HIGHER VOLTAGE				
Cust. Type: Industrial				
Distribution (kWh)	0.3145			
Distribution (kW)	21.7800	218.6788	243.2912	267.9036
Supply (kWh)	-	-	-	
Supply (Customer)	19.5100	36.0202	38.0839	40.1477
Metering (Customer)	540.5000	131.0797	79.9022	28.7246
Metering (kWh)	-	-	-	
Members Contribution for Capital Expenditures		0.3203	0.3604	0.4004
Final Loan Condo (kWh)	(0.0481)			
Final Loan Condo (customer)	(14.7699)			
				SUB-TOTAL

18. LANEKO submits that the implementation of the proposed rates would be to the best interest of its consumers as this will encourage the cooperative to develop efficiency and achieve self-reliance and financial independence, and be able to comply with the mandate of the EPIRA to deliver more reliable, efficient, safe and quality service to its consumers. It has chosen to implement the proposed rates during the Transition Period in the foregoing manner to mitigate the impact both on the cooperative as well as its customers especially on the Distribution, Supply and Metering charges which showed positive and a negative effect from the existing rates;

19. LANEKO 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 Lanao del Norte and the Sangguniang Bayan of Tobod, and published the Application in its entirety in a newspaper of general circulation in the Province of Lanao del Norte.

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 LANEKO, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN		
		D	S	M
Residential	PhP/kWh	0.8449	0.7732	0.4569
	Php/Cust/Mo.			5.00
CAPEX	PhP/kWh	0.4004		
Low Voltage	PhP/kWh	0.9259		
	Php/Cust/Mo.		40.15	28.72
CAPEX	PhP/kWh	0.4004		
Higher Voltage	PhP/kWh	267.90		
	Php/Cust/Mo.		40.15	28.72
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, 16 October 2009.

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

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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: THE VERIFICATION SHOULD BE THE LAST PAGE OF THE APPLICATION TO BE PUBLISHED.. IT MAY BE NOTARIZED IN LANA O DEL NORTE) .

Republic of the Philippines)
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**VERIFICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

I, _____, of legal age, Filipino and with office address at the Main Office of _____ Electric Cooperative, Inc. (_____), _____, after being sworn to according to law, depose and state that:

1. I am the General Manager of _____ Electric Cooperative, Inc. (_____) ECO);

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 _____ ECO;

3. _____ ECO 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 _____.

Affiant

SUBSCRIBED AND SWORN to before me in _____, this ____ day of October 2009 by the affiant who exhibited to me _____.

Notary Public

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