

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- 154 RC

SURIGAO DEL SUR II
ELECTRIC COOPERATIVE, Inc.
(SURSECO II)

Applicant.

x-----x

A P P L I C A T I O N

COMES NOW, applicant **SURIGAO DEL SUR II ELECTRIC COOPERATIVE, INC. (SURSECO II)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. SURSECO II 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 Baliliahon, Mabua, Tandag, Surigao del Sur, where it maybe served with summons and other legal processes, represented in this instance by its General Manager, ENGR. IGLORIO R. HINAYON, of legal age, Filipino and with office address also at SURSECO II 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 Surigao del Sur, namely: Carrascal, Cantilan, Madrid, Carmen, Lanuza, Cortes, Tandag, Tago, Bayabas, Cagwait, Marihatag, San Miguel, San Agustin and Lianga.;
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 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. SURSECO II participated in the abovementioned public consultations, and likewise submitted data/documents required by the ERC in drafting said rules;
 7. Said regulatory framework now is embodied in the 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 May 9, 2009 SURSECO II's Board of Directors passed Board Resolution No. 048-A, S-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 where the electric cooperatives operate, the ERC promulgated the final RSEC-WR on September 22, 2009 which became effective fifteen (15) days after its publication in the Manila Bulletin on September 24, 2009 ;
 11. Under the RSEC-WR, SURSECO II is categorized under Group "B";

12. As a Group “B” EC, SURSECO II’s Operating Revenue Requirement (ORR) per kWh is PhP1.8200;

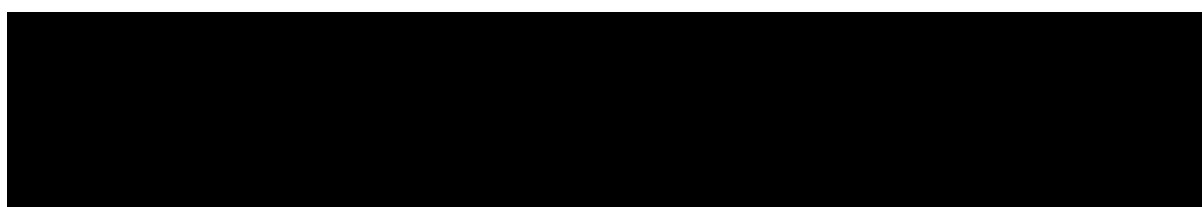
13. Further, SURSECO II is required to implement a new customer class, as follows:

Table 1. Existing Customer Class and New Customer Class

EXISTING CUSTOMERS	NEW CUSTOMER SEGMENTATION
Residential	Residential Customers
BAPA	
Sale for Resale	
Small Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Irrigation/CWS	Higher Voltage Customers
Large Commercial	
Industrial	

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

Table 2. Initial DSM Rate Caps Per Customer Class



577789988

15. As a Group “B” EC, SURSECO II is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.4004/kWh;

16. Considering the abovementioned rates, SURSECO II’s rate caps would be as follows: 1.) DSM – 1.8200; and 2.) MCC – 0.4004;

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

Table 3. Proposed Transition Rates

		Rates Billed			
		Current	Start of Transition	End of Year One	End of Transition
Percentage Increase		1.000	1.000	-	-
RESIDENTIAL					
Residential:					
	Distribution (kwh)	1.6559	0.8449	0.8449	0.8449
	Supply (kwh)	0.5019	0.7732	0.7732	0.7732
	Metering (customer)	5.0000	5.0000	5.0000	5.0000
	Metering (kwh)	0.3661	0.4569	0.4569	0.4569
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(1.0001)			
LOW VOLTAGE					
Commercial :					
	Distribution (kwh)	1.0855	0.9259	0.9259	0.9259
	Distribution (kw)		-	-	
	Supply (kwh)		-	-	
	Supply (customer)	24.2900	40.1477	40.1477	40.1477
	Metering (customer)	26.2800	28.7246	28.7246	28.7246
	Metering (kwh)		-	-	
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(0.5010)			
		(7.4438)			
Industrial :					
	Distribution (kwh)	0.4488	0.9259	0.9259	0.9259
	Distribution (kw)	22.0000	-	-	
	Supply (kwh)		-	-	

	Supply (customer)	51.5800	40.1477	40.1477	40.1477
	Metering (customer)	161.7300	28.7246	28.7246	28.7246
	Metering (kwh)	-	-	-	-
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(0.3590)			
	Final Loan Condo (customer)	(43.0548)			
Public Bldgs :					
	Distribution (kwh)	1.0684	0.9259	0.9259	0.9259
	Distribution (kw)	-	-	-	-
	Supply (kwh)	-	-	-	-
	Supply (customer)	24.5200	40.1477	40.1477	40.1477
	Metering (customer)	70.8600	28.7246	28.7246	28.7246
	Metering (kwh)	-	-	-	-
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(0.5155)			
	Final Loan Condo (customer)	(19.1648)			
Street Lights :					
	Distribution (kwh)	0.9565	0.9259	0.9259	0.9259
	Distribution (kw)	-	-	-	-
	Supply (kwh)	-	-	-	-
	Supply (customer)	27.9200	40.1477	40.1477	40.1477
	Metering (customer)	-	28.7246	28.7246	28.7246
	Metering (kwh)	-	-	-	-
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(0.4111)			
	Final Loan Condo (customer)	(0.5328)			
HIGH VOLTAGE					
Large Commercial :					
	Distribution (kwh)	0.4488	-	-	-
	Distribution (kw)	22.0000	267.9036	267.9036	267.9036
	Supply (kwh)	-	-	-	-
	Supply (customer)	51.5800	40.1477	40.1477	40.1477
	Metering (customer)	161.7300	28.7246	28.7246	28.7246
	Metering (kwh)	-	-	-	-
	Members Contribution for Capital				
Expenditures			0.4004	0.4004	0.4004
	Final Loan Condo (kwh)	(0.3590)			

18. a). SURSECO II is applying to implement the proposed rates as it strongly believes that this will pave the way to developing its efficiency, achieve self-reliance and financial independence, to enable it comply with the mandate of the EPIRA to deliver quality, efficient and reliable service to its consumers.
- b) SURSECO II had chosen to adopt the tariff cap set in the RSEC-WR considering that since 1995 to 2004 during the Unbundling of Rates, the cooperative did not file any application for rate adjustment until present time, and to implement the tariff cap 100% at the start of the Transition Period to be able to recover the losses encountered in the past years where previous increases in the cost of operation were just subsidized by the cooperative.
19. SURSECO II 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 Surigao del Sur and the Sangguniang Bayan of Tandag, and published the Application in its entirety in a newspaper of general circulation in the Province of Surigao del Sur.
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 RSEC-WR
 - c. Local publication of the Application with Affidavit of Publication
 - d. Certifications of the local Sanggunians concerned
 - 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
- 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 SURSECO II, as follows:

TYPE OF CONSUMER	UNITS	RATE DESIGN		
		D	S	M
Residential	Php/Kwh	0.8449	0.7732	0.4569
	Php/Cust/Mo.			5.000
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, 15 October 2009.

DECHAVEZ SAGAYO & LERIOS AMBOY
LAW OFFICES
Counsel for SURSECO II
 Units 1609-1610 Tycoon Centre
 Pearl Drive, Ortigas Center, Pasig City, Metro Manila

By:



DITAS A. LERIOS-AMBOY
 Roll No. 40628
 PTR No. 5098945/ Jan 5, 2009/ Pasig
 IBP No. 767996/ Jan 5, 2009/ Rizal
 MCLE Compliance II Cert. No. 0003158/ Feb. 28, 2008

Republic of the Philippines)
Province of Surigao del Sur) S s.

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

I, ENGR. IGLORIO R. HINAYON, of legal age, Filipino and with office address at the Main Office of Surigao del Sur II Electric Cooperative, Inc. (SURSECO II), Tandag, Surigao del Sur, after being sworn to according to law, depose and state that:

1. I am the General Manager of Surigao del Sur II Electric Cooperative, Inc. (SURSECO II);

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 SURSECO II;

3. SURSECO II 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 _____.

ENGR. IGLORIO R. HINAYON
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.