

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. 2009-155RC

DAVAO ORIENTAL ELECTRIC
COOPERATIVE, INC. (DORECO)
Applicant.

x-----x

A P P L I C A T I O N

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

1. DORECO 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 Madang National Highway, Mati, Davao Oriental, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. GREGORY A. DUKIL, of legal age, Filipino and with office address also at DORECO 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 DAVAO ORIENTAL, namely: Banaybanay, Lupon, San Isidro, Governor Generoso, Mati, Tarragona, Manay, Caraga, Baganga, Cateel and Boston;
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 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. DORECO 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 28, 2009, DORECO Board of Directors passed Board Resolution No. 47 , 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 and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the RSEC-WR, DORECO was categorized as Group “D”;
12. As a Group “D” EC, DORECO’s Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 1.1400;
13. Further, DORECO is required to implement a new customer class, as follows:

Table 1. Existing Customer Class and New Customer Class

<u>EXISTING CUSTOMERS</u>	<u>NEW CUSTOMER SEGMENTATION</u>
Residential BAPA	Residential Customers
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Industrial	Higher Voltage Customers

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

Table 2. Initial DSM Rate Caps Per Customer Class

GROUP D	RESIDENTIAL		Low Voltage		Higher Voltage	
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
Distribution	0.5143		0.5134		190.03	
Supply	0.5828			41.61		41.61
Metering	0.3669	5.00		31.19		31.19

15. As a Group "D" EC, DORECO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP0.2508 /kWh;

16. Considering the abovementioned rates, DORECO rate caps would be as follows: 1.) DSM – 1.1400; and 2.) MCC – 0.2508;

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	5.00		31.19			31.19
Members Contribution for CAPEX	0.2508		0.2508		0.2508		

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

Table 3. Proposed Transition Rates

Group : D DORECO				
	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage Increase	1.0000	.3333	.3333	.3333
RESIDENTIAL				
Residential :				
Distribution (kWh)	1.3227	1.0533	0.7839	0.5143
Supply (kWh)	0.5180	0.5396	0.5612	0.5828
Metering (Customer)	5.00	5.00	5.00	5.00
Metering (kWh)	0.1325	0.2106	0.2887	0.3669
Member Contri. for Capital Expenditure		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.5203)			
LOW VOLTAGE				
Commercial				
Distribution (kWh)	0.9582	0.8100	0.6617	0.5134
Supply (kWh)				
Supply (Customer)	30.15	33.9697	37.7895	41.6104
Metering (Customer)	61.58	51.4519	41.3238	31.1926
Metering (kWh)				
Member Contri. for Capital Expenditure		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.3217)			
Final Loan Condo (Customer/Month)	(18.8675)			
Industrial				
Distribution (kWh)	0.9209	0.7861	0.6493	0.5134
Distribution (kW)	16.50			
Supply (kWh)				
Supply (Customer)	35.29	37.3966	39.5032	41.6104
Metering (Customer)	158.62	116.1484	73.6769	31.1926
Metering (kWh)				
Member Contri. for Capital Expenditure		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.3844)			
Final Loan Condo (Customer/Month)	(48.8997)			
Public Building				
Distribution (kWh)	0.8960	0.7685	0.6410	0.5134
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	30.27	34.0498	37.8295	41.6104
Metering (Customer)	40.15	37.1645	34.1790	31.1926

Metering (kWh)				
Member Contri. for Capital Expenditure		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.3026)			
Final Loan Condo(Customer/Month)	(12.6121)			
Street Lights				
Distribution (kWh)	1.9882	1.4967	1.0051	0.5134
Distribution (kW)				
Supply (kWh)				
Supply (Customer)	30.05	33.9031	37.7562	41.6104
Metering (Customer)		10.3965	20.7930	31.1926
Metering (kWh)				
Member Contri. for Capital Expenditure		0.2508	0.2508	
Final Loan Condo (kWh)	(0.5943)			
Final Loan Condo (Customer/Month)	(1.1876)			
HIGHER VOLTAGE				
INDUSTRIAL				
Distribution (kWh)	0.9209			
Distribution (kW)	16.50	74.3365	132.1730	190.0268
Supply (kWh)				
Supply (Customer)	35.29	37.3966	39.5032	41.6104
Metering (Customer)	158.62	116.1484	73.6769	31.1926
Metering (kWh)				
Member Contri. for Capital Expenditure		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.3844)			
Final Loan Condo (Customer/Month)	(48.8997)			

18. DORECO submits that the implementation of the proposed rates would be to the best interest of its consumers as it would assure system reliability and efficiency and that there would also be adequate funding for future improvement of consumers services most especially in the remotest parts of the area coverage. Further, DORECO has chosen to implement the proposed rates as illustrated herein at the start of the transition period in order to continue to provide reliable and affordable power supply to the countryside as mandated by the EPIRA.

19. DORECO 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 ORIENTAL and the Sangguniang Bayan of Mati and published the Application in its entirety in a newspaper of general circulation in the Province of DAVAO ORIENTAL.

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 and
- 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 DORECO, as follows:

TYPE OF CONSUMERS	UNITS	RATE DESIGN			Members contribution for Capex
		D	S	M	
Residential	PhP/kWh	0.5143	0.5828	0.3669	0.2508
	PhP/Meter/Mo.			5.00	
Low Voltage	PhP/kWh	0.5134			0.2508
	PhP/Cust/Mo.		41.61	31.19	
Higher Voltage	PhP/kW	190.03			
	PhP/Cust/Mo.		41.61	31.19	
	PhP/kWh				0.2508

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 12, 2009.

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

**Counsel for _____
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**

Republic of the Philippines)
Province of (Davao Oriental) Ss.
Municipality of Mati

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

I, **ENGR. GREGORY A. DUKIL**, of legal age, Filipino and with office address at the Main Office of Davao Oriental Electric Cooperative, Inc. (DORECO), National Highway, Madang, Barangay Central, Mati, Davao Oriental, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Davao Oriental Electric Cooperative, Inc. (DORECO);

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 Davao Oriental Electric Cooperative, Inc. (DORECO);

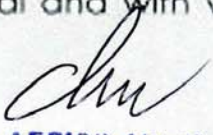
3. Davao Oriental Electric Cooperative, Inc. (DORECO) has not heretofore commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of my knowledge no such action or proceeding is pending, and if I should learn that 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 OCT 27 2009 of October, 2009 at Mati, **PASIG CITY** Davao Oriental.


ENGR. GREGORY A. DUKIL
Affiant

SUBSCRIBED AND SWORN to before me in OCT 27 2009 this ___ day of October 2009 by the affiant who exhibited to me his CTC No. 01720742 issued at January 9, 2009 at Mati, Davao Oriental and with validity until December 31, 2009.

Doc. No. 344 ;
Page No. 82 ;
Book No. I ;
Series of 2009.


DITAS A. LERIOS - Notary Public
NOTARY PUBLIC FOR AND IN PASIG CITY
UNTIL DECEMBER 31, 2010
(POINTMENT No. 107 (2009-2010))
PTR No. 5098945 JAN. 05 2009 PASH;
LSP No. 767996 JAN. 5, 2009 RIZA!