

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. 2009-158 RC

**MISAMIS ORIENTAL-1 RURAL
ELECTRIC SERVICE
COOPERATIVE, INC.**

Applicant.

X-----X

A P P L I C A T I O N

COMES NOW, applicant **MISAMIS ORIENTAL-1 RURAL ELECTRIC SERVICE COOPERATIVE, INC. (MORESCO-1)**, through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. MORESCO-1 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 Poblacion, Laguindingan, Misamis Oriental, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Julie B. Real, PEE, of legal age, Filipino and with office address also at MORESCO-1 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 nine (9) municipalities, one (1) city, all in the province of Misamis Oriental, a portion of Cagayan de Oro City and two (2) municipalities in the Province of Bukidnon as follows:

Province of Misamis Oriental:

El Salvador City
Alubijid
Initao
Opol
Lugait
Laguindingan
Manticao
Gitagum
Libertad
Naawan

Portion of Cagayan de Oro City

Province of Bukidnon:

Talakag
Baungon

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 new *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. MORESCO-1 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 14, 2009, MORESCO-1 Board of Directors passed Board Resolution No. 2009-0514-03, 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, MORESCO-1 is categorized under Group "F";
12. As a Group "F" EC, MORESCO-1 Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is **PhP 118,411,982.33**;

13. Further, MORESCO-1 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
Small Commercial	Low Voltage Customers
Large Commercial	
Industrial	
Public Buildings	
Street Lights	
Water Systems	
Large Commercial	Higher Voltage Customers
Industrial	

14. After functionalizing and allocating its ORR and using the new customer class, MORESCO-1's 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/Meter/Mo.	PhP/kW	PhP/Cust/Mo.	PhP/Meter/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, MORESCO-1 is also authorized to collect a Member’s Contribution for Capital Expenditure Rate in the amount of PhP0.2178/kWh;

16. Considering the abovementioned rates, MORESCO-I's rate caps would be as follows: 1.) DSM – PhP0.9900 /kWh; and 2.) MCC – PhP0.6367/kWh ;

GROUP F	RESIDENTIAL		Low Voltage			Higher Voltage			
	PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/Meter/Mo.	PhP/kWh	PhP/kW	PhP/Cust/Mo.	PhP/Meter/Mo.
Distribution	0.4613		0.4441				167.56		
Supply	0.5376			46.60				46.60	
Metering	0.3205	5.00			32.78				32.78
Members Contribution for CAPEX	0.6367		0.6367			0.6367			

17. MORESCO-1 intends to move to the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

Group : F					
Name: MORESCO-1					
		Rates Billed			
		Current	Start of Transition	End of Year One	End of Transition
Percentage Increase (DSM)		1.0000	0.3000	0.0200	0.6800
Percentage Increase (MCC)		1.0000	0.4000	0.6000	0.0000
RESIDENTIAL					
Residential :					
Distribution	(PhP/kWh)	0.9893	0.8309	0.8203	0.4613
Supply	(PhP/kWh)	0.9768	0.8450	0.8362	0.5376
Metering	(PhP/Meter/mo)	5.0000	5.0000	5.0000	5.0000
Metering	(PhP/kWh)	0.3787	0.3612	0.3601	0.3205
Member Contribution for Capital Expenditure	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367
LOW VOLTAGE					

Small Commercial					
Distribution	(PhP/kWh)	0.7960	0.6904	0.6834	0.4441
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering (PhP/kWh)	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital Expenditure	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367
Large Commercial					
Distribution	(PhP/kWh)	0.3465	0.3758	0.3777	0.4441
Distribution	(PhP/kW/Mo)	25.0000	17.5000	17.0000	0.0000
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital Expenditure	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367
Industrial					
Distribution	(PhP/kWh)	0.2897	0.3360	0.3391	0.4441
Distribution	(PhP/kW/Mo)	25.0000	17.5000	17.0000	0.0000
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital Expenditure	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367
Public Buildings					
Distribution	(PhP/kWh)	0.8248	0.7106	0.7030	0.4441
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital Expenditure	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367
Street Lights					
Distribution	(PhP/kWh)	4.6705	3.4026	3.3181	0.4441
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	69.60	62.7000	62.2400	46.60
Metering	(PhP/Meter/Mo)	0.0000	9.8340	10.4896	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital	(PhP/kWh)	0.0000	0.2547	0.6367	0.6367

Expenditure					
Water Systems					
Distribution	(PhP/kWh)	0.1537	0.2408	0.2466	0.4441
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution .for Capital Expenditure	(PhP/kWh)				
		0.0000	0.2547	0.6367	0.6367
HIGHER VOLTAGE					
Large Commercial					
Distribution	(PhP/kWh)	0.3465	0.2426	0.2356	0.0000
Distribution	(PhP/kW/Mo)	25.0000	67.7680	70.6192	167.56
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution .for Capital Expenditure	(PhP/kWh)				
		0.0000	0.2547	0.6367	0.6367
Industrial					
Distribution	(PhP/kWh)	0.2897	0.2028	0.1970	0.0000
Distribution	(PhP/kW/Mo)	25.0000	67.7680	70.6192	167.56
Supply	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Supply	(PhP/Cust/Mo)	71.09	63.7430	63.2532	46.60
Metering	(PhP/Meter/Mo)	87.19	70.8670	69.7788	32.78
Metering	(PhP/kWh)	0.0000	0.0000	0.0000	0.0000
Member Contribution for Capital Expenditure	(PhP/kWh)				
		0.0000	0.2547	0.6367	0.6367

18. MORESCO-1 submits that the implementation of the proposed rates would work to the best interest of its consumers as it would decrease the rates for residential consumers. These reduced rates for residential consumers will be implemented 30% during the first year, 2% during the second year and 68% on the third year during the transition period.
19. MORESCO-1 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 Misamis Oriental and Sangguniang Bayan of Laguindingan and published

the Application in its entirety in a newspaper of general circulation in the Province of Misamis Oriental, Bukidnon and City of Cagayan de Oro City.

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 MORESCO-1, as follows:

TYPE OF CONSUMERS	UNITS	PROPOSED RATE			
		Distribution	Supply	Metering	Member's Contribution for Capital Expenditures
Residential	PhP/kWh	0.4613	0.5376	0.3205	
	PhP/Cust/Mo.				0.6367
	PhP/Meter/Mo.			5.0000	
Low Voltage	PhP/kWh	0.4441			0.6367
	PhP/Customer/Mo.		46.60		
	PhP/Meter/Mo.			32.78	
Higher Voltage	PhP/kWh				0.6367
	PhP/kW	167.56			

	PhP/Customer/Mo.		46.60	
	PhP/Meter/Mo.			32.78

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, November 11, 2009.

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By:

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Roll No. 40628
MCLE Compliance II Cert. No. 0003158 Feb. 28, 2008
PTR#5098945 Jan. 5, 2009 Pasig
IBP# 767996 Jan. 5, 2009 Rizal**