

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

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

ERC CASE NO. 2009-159 RC

ISABELA II ELECTRIC
COOPERATIVE, Inc. (ISELCO II)
Applicant.

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A P P L I C A T I O N

COMES NOW, applicant ISELCO II Electric Cooperative, Inc. (ISELCO II for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. ISELCO 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 Alibagu, Ilagan, Isabela, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Antonio A. Young, of legal age, Filipino and with office address also at the ISELCO 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 Isabela, namely: Ilagan, Gamu, Burgos, Roxas, Aurora, San Manuel, Quirino, Quezon, Mallig, San Pablo, Santa Maria, Delfin Albano, Sto. Tomas, Tumauni, Cabagan, Naguilian, Benito Soliven, San Mariano, Maconacon, Palanan, and Divilacan.

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. ISELCO II participated in the abovementioned public consultations and submitted data/documents required by the ERC during the drafting of said rules;

7. Said regulatory framework is now 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. 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.

10. Under the RSEC-WR, ISELCO II was categorized under Group “C”;

11. As a Group “C” EC, ISELCO II determined Operating Revenue Requirement (ORR) per kWh is PhP 1.68 ;

12. Further, ISELCO 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	

13. After functionalizing and allocating the said ORR and using the new customer class, ISELCO's initial Distribution, Supply and Metering (DSM) rate caps are as follows:

Table 2. Initial DSM Rate Caps Per Customer Class

	Distribution Rate	Supply Rate	Metering Rate
INITIAL TARIFF CAP			
Residential			
PhP/ KWh	0.7004	0.7156	0.5236
PhP/meter/mo.			5.00
Low Volatage			
PhP /KWh	.7493		
PhP/cust./mo.		34.05	29.91
Higher Voltage			
PhP/Kw	213.96		
PhP/cust/mo.		34.05	29.91

14. As a Group "C" EC, ISELCO II is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP .3696/kWh;

15. Considering the abovementioned rates, ISELCO's rate caps would be as follows: 1.) DSM – 1.68; and 2.) MCC -.3696;

16. ISELCO II intends to move to the rate caps during the transition period as follows:

C				
Name: ISELCO II				
	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	0.3300	0.3300	0.3400
RESIDENTIAL				
Cust. Type: Residential				
Distribution (kWh)	1.2917	1.0966	0.9014	0.7004
Supply (kWh)	0.5327	0.5930	0.6534	0.7156
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.3696	0.3696	0.4163	0.5236
Members Contribution for Capital Expenditures		.3696	0.3696	0.3696
Final Loan Condo (kWh)	(0.5032)			
LOW VOLTAGE				
Cust. Type: Commercial				
Distribution (kWh)	0.8085	0.7890	0.7694	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	34.1500	34.1155	34.0810	34.0454
Metering (Customer)	28.6500	29.0663	29.4826	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3696	0.3696	0.3696
Final Loan Condo (kWh)				

	(0.3362)			
Final Loan Condo (customer)	(4.2432)			
Cust. Type: Communal Water System				
Distribution (kWh)	0.7262	0.7338	0.7414	0.7493
Distribution (kW)	19.8000	13.2660	6.7320	
Supply (kWh)		-	-	
Supply (Customer)	44.7700	41.2309	37.6918	34.0454
Metering (Customer)	28.6500	29.0663	29.4826	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3696	0.3696	0.3696
Final Loan Condo (kWh)	(0.3588)			
Final Loan Condo (customer)	(4.2432)			
Cust. Type: PUBLIC BLDG				
Distribution (kWh)	0.9014	0.8512	0.8010	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	34.3800	34.2696	34.1592	34.0454
Metering (Customer)	28.6500	29.0663	29.4826	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.3696	0.3696	0.3696
Final Loan Condo (kWh)	(0.3834)			
Final Loan Condo (customer)	(4.2432)			
Cust. Type: STREET LIGHTS				
Distribution (kWh)	1.7043	1.3891	1.0740	0.7493
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	33.0600	33.3852	33.7104	34.0454
Metering (Customer)	17.6600	21.7030	25.7460	29.9116
Metering (kWh)		-	-	

Members Contribution for Capital Expenditures		0.3696	0.3696	0.3696
Final Loan Condo (kWh)	(0.4888)			
Final Loan Condo (customer)	(3.8234)			
HIGHER VOLTAGE				
Cust. Type: INDUSTRIAL				
Distribution (kWh)	0.9283	0.6220	0.3156	
Distribution (kW)	19.8000	83.8729	147.9459	213.9604
Supply (kWh)		-	-	
Supply (Customer)	39.3700	37.6129	35.8558	34.0454
Metering (Customer)	194.1000	139.9178	85.7356	29.9116
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures	-	0.3696	0.3696	0.3696
Final Loan Condo (kWh)	(0.4209)			
Final Loan Condo (customer)	(10.5622)			

17. ISELCO II submits that the implementation of the proposed rates would be to the best interest of its consumers as it would be able to meet the required revenue requirement needed by the cooperative to be able to deliver a reliable and efficient service to its member-consumers. Further, ISELCO II has chosen to implement the proposed DSM rates under scheme provided above, in order to mitigate the impact of the adjustments from the cooperative's current rate, and one-time implementation of the CAPEX to meet its needed funding for its operating, maintenance and capital expenditures.

18. ISELCO 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 ISABELA and the Sangguniang Bayan of ILAGAN and published the Application in its entirety in a newspaper of general circulation in the Province of ISABELA.

19. 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. Local publication of the Application with Affidavit of Publication;
- c. Certifications of the concerned local Sanggunians;
- d. Completed RSEC-WR UFR Model;
- e. Completed Transition Model
- f. Working papers on details and explanations
- g. 2008 Audited Financial Statement
- h. Billing Determinants & Customer Class Allocation
- i. 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 ISELCO II, as follows:

	Distribution Rate	Supply Rate	Metering Rate	CAPEX
INITIAL TARIFF CAP				
Residential				
PhP/ KWh PhP/meter/mo. PhP/kwh	0.7004	0.7156	0.5236 5.00	0.3696
Low Volatage				
PhP /KWh PhP/cust./mo. PhP/kwh		34.05	29.91	0.3696
Higher Voltage				
PhP/Kw PhP/cust/mo. PhP/kwh	213.96	34.05	29.91	0.3696

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, 15 October 2009.

**DECHAVEZ SAGAYO & LERIOS-AMBOY
LAW OFFICES
Counsel for ISECO II**

Units 1609-1610 Tycoon Centre Condo.,
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)
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**VERIFICATION AND CERTIFICATION
OF NON FORUM-SHOPPING**

I, **ANTONIO A. YOUNG**, of legal age, Filipino and with office address at the Main Office of ISABELA II Electric Cooperative, Inc. (ISELCO II), after being sworn to according to law, depose and state that:

1. I am the **Officer_In Charge** of ISABELA II Electric Cooperative, Inc. (ISELCO 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 ISELCO II;

3. ISELCO 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 16th day of October, 2009 at Alibagu, Ilagan, Isabela.

ANTONIO A. YOUNG
Affiant

SUBSCRIBED AND SWORN to before me this 16th day of October 2009 by the affiant who exhibited to me his Residence Certificate No. 25283085 at Roxas, Isabela.

Notary Public

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Series of 2009.

Atty. Nemio D. Somera
Until December 31, 2010
PTR NO. 0836860