

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

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

ERC CASE NO. 2009-165 RC

BENGUET ELECTRIC
COOPERATIVE, Inc. (BENECO)
Applicant.

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A P P L I C A T I O N

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

1. BENECO 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 Alapang, La Trinidad, Benguet, where it may be served with summons and other legal processes, represented in this instance by its General Manager, **MR. GERARDO P. VERZOSA**, of legal age, Filipino and with office address also at the BENECO 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 Benguet, namely: Baguio City, Atok, Bakun, Bokod, Buguias, Kabayan, Kapangan, Kibungan, Itogon, La Trinidad, Mankayan, Sablan, Tuba and Tublay;
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. 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. BENEKO participated in the abovementioned public consultations and it submitted data/documents required by the ERC during the drafting of the said rules;
9. On 10 November 2009, BENEKO's Board of Directors passed Board Resolution No.92-2009, 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 wherein the electric cooperatives operate, the ERC issued the final RSEC-WR on and the same was published in The Manila Buletin on September 24, 2009;
11. Under the RSEC-WR, BENEKO was categorized as Group "F";
12. As a Group "F" EC, BENEKO determined Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR is **PhP0.9900**;
13. Further, BENEKO 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 BAPA	Residential Customers
Commercial Public Building Streetlight	Lower Voltage Customers
Industrial	Higher Voltage Customers

14. After functionalizing and allocating its ORR and using the new customer class, BENEKO'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/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

15. As a Group "F" EC, BENEKO is also authorized to collect a Member's Contribution for Capital Expenditure Rate of **PhP 0.2178/kWh**;

16. Considering the abovementioned rates, BENEKO's rate caps would be as follows: 1) DSM- 0.9900; and 2) MCC – 0.2178;

INITIAL DSM RATE CAPS AND MCC PER CUSTOMER CLASS

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 Capital Expenditures	0.2178		0.2178			0.2178			

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

Table 3:
PROPOSED TRANSITION RATES

Group "F"	Unit	Rates Billed			
		RESIDENTIAL			
		Current	Start of Transition	End of Year One	End of Transition
Cust. Type: Residential					
Distribution	PhP/kwh	0.7307	0.4613	0.4613	0.4613
Supply	PhP/kwh	0.2785	0.5376	0.5376	0.5376
Metering	PhP/meter/mo	5.00	5.00	5.00	5.00
Metering	PhP/kwh	0.3494	0.3205	0.3205	0.3205
Members Contribution for Capital Expenditures	PhP/kwh	0	0.2178	0.2178	0.2178
Final Loan Condo	PhP/kwh	(0.1112)	0	0	0
Particulars	Unit	LOW VOLTAGE			
		Current	Start of Transition	End of Year One	End of Transition
		Cust. Type: Commercial			
Distribution	PhP/kwh	0.3443	0.4441	0.4441	0.4441
Distribution	PhP/kw	0	0	0	0
Supply	PhP/kwh	0	0	0	0
Supply	PhP/cust/mo	54.47	46.60	46.60	46.60
Metering	PhP/meter/mo	174.74	32.78	32.78	32.78
Metering	PhP/kwh	0	0	0	0
Members Contribution for Capital Expenditures	PhP/kwh	0	0.2178	0.2178	0.2178
Final Loan Condo	PhP/kwh	(0.0429)	0	0	0
Final Loan Condo	PhP/cust/mo	(9.0607)	0	0	0
Cust. Type: Public Building					
Distribution	PhP/kwh	0.1981	0.4441	0.4441	0.4441
Distribution	PhP/kw	0	0	0	0
Supply	PhP/kwh	0	0	0	0
Supply	PhP/cust/mo	103.99	46.60	46.60	46.60
Metering	PhP/meter/mo	40.28	32.78	32.78	32.78
Metering	PhP/kwh	0	0	0	0
Members Contribution for Capital Expenditures	PhP/kwh	0	0.2178	0.2178	0.2178
Final Loan Condo	PhP/kwh	(0.0248)	0	0	0
Final Loan Condo	PhP/cust/mo	(2.2645)	0	0	0
Cust. Type: Street Lights					
Distribution	PhP/kwh	0.3996	0.4441	0.4441	0.4441
Distribution	PhP/kw	0	0	0	0
Supply	PhP/kwh	0	0	0	0
Supply	PhP/cust/mo	133.61	46.60	46.60	46.60
Metering	PhP/meter/mo	0	32.78	32.78	32.78
Metering	PhP/kwh	0	0	0	0
Members Contribution for Capital Expenditures	PhP/kwh	0	0.2178	0.2178	0.2178
Final Loan Condo	PhP/kwh	(0.0339)	0	0	0
Final Loan Condo	PhP/cust/mo	(0.2303)	0	0	0
Particulars	Unit	HIGHER VOLTAGE			
		Current	Start of Transition	End of Year One	End of Transition
		Cust. Type: Industrial			
Distribution	PhP/kwh	0.1480	0	0	0
Distribution	PhP/kw	27.50	167.56	167.56	167.56
Supply	PhP/kwh	0	0	0	0
Supply	PhP/cust/mo	1,106.30	46.60	46.60	46.60
Metering	PhP/meter/mo	639.59	32.78	32.78	32.78

Metering	PhP/kwh	0	0	0	0
Members Contribution for Capital Expenditures	PhP/kwh	0	0.2178	0.2178	0.2178
Final Loan Condo	PhP/kwh	(0.0280)	0	0	0
Final Loan Condo	PhP/cust/mo	(32.6417)	0	0	0

18. BENEKO believes that the implementation of the proposed rates would be to the best interest of its consumers as it would ensure viability of the electric cooperatives. The mandate of these cooperatives is to electrify even the remotest sitios where the return on investment exceeds even twenty (20) years.

Further, the impact of the net increase in annual revenue amounting to seventy six million eight hundred forty three eight hundred seventeen and 86/100 (Php76,843,817.86) pesos or a monthly increase in revenue of six million four hundred three thousand six hundred fifty one and 49/100 (Php6,403,651.49) pesos is very minimal particularly to the Residential consumers (Captive Market). Please refer to tabulation below:

**RESIDENTIAL CONSUMERS
(Impact of Increase Using October 2008 Data)**

Lifeline Levels		KWH Usage	Average Increase per Month		Baguio City		La Trinidad		Other Towns		TOTAL	
From	To		Rate/kwh	Amount	No.	%	No.	%	No.	%	No.	%
-	20	20	0.1449	2.90	8,562	12.58%	2,231	12.57%	10,383	33.81%	21,176	18.17%
21	25	25	0.1738	4.35	1,319	1.94%	548	3.09%	2,199	7.16%	4,066	3.49%
26	30	30	0.2028	6.08	1,513	2.22%	599	3.37%	2,023	6.59%	4,135	3.55%
31	35	35	0.2318	8.11	1,557	2.29%	612	3.45%	1,791	5.83%	3,960	3.40%
36	40	40	0.2607	10.43	1,682	2.47%	613	3.45%	1,593	5.19%	3,888	3.34%
41	45	45	0.2752	12.38	1,794	2.64%	618	3.48%	1,395	4.54%	3,807	3.27%
46	50	50	0.2897	14.49	1,776	2.61%	603	3.40%	1,253	4.08%	3,632	3.12%
51	55	55	0.2897	15.93	1,801	2.65%	605	3.41%	1,047	3.41%	3,453	2.96%
56	60	60	0.2897	17.38	1,824	2.68%	613	3.45%	900	2.93%	3,337	2.86%
61	65	65	0.2897	18.83	1,771	2.60%	580	3.27%	767	2.50%	3,118	2.68%
66	70	70	0.2897	20.28	1,844	2.71%	528	2.97%	650	2.12%	3,022	2.59%
71	75	75	0.2897	21.73	1,749	2.57%	519	2.92%	621	2.02%	2,889	2.48%
76	80	80	0.2897	23.18	1,742	2.56%	451	2.54%	562	1.83%	2,755	2.36%

81	85	85	0.2897	24.62	1,694	2.49%	428	2.41%	509	1.66%	2,631	2.26%
86	90	90	0.2897	26.07	1,592	2.34%	452	2.55%	437	1.42%	2,481	2.13%
91	95	95	0.2897	27.52	1,573	2.31%	428	2.41%	371	1.21%	2,372	2.04%
96	100	100	0.2897	28.97	1,621	2.38%	392	2.21%	355	1.16%	2,368	2.03%
101	200	200	0.2897	57.94	19,148	28.13%	4,410	24.84%	2,735	8.91%	26,293	22.56%
201	300	300	0.2897	86.91	7,183	10.55%	1,401	7.89%	609	1.98%	9,193	7.89%
301	400	400	0.2897	115.88	2,910	4.27%	521	2.93%	228	0.74%	3,659	3.14%
401	500	500	0.2897	144.85	1,388	2.04%	234	1.32%	90	0.29%	1,712	1.47%
501	1,000	1,000	0.2897	289.70	1,602	2.35%	297	1.67%	148	0.48%	2,047	1.76%
1,001	1,500	1,500	0.2897	434.55	234	0.34%	42	0.24%	25	0.08%	301	0.26%
1,501	2,000	2,000	0.2897	579.40	97	0.14%	14	0.08%	10	0.03%	121	0.10%
2,001	2,500	2,500	0.2897	724.25	44	0.06%	5	0.03%	5	0.02%	54	0.05%
2,501	3,000	3,000	0.2897	869.10	19	0.03%	3	0.02%	1	0.00%	23	0.02%
3,001	3,500	3,500	0.2897	1,013.95	9	0.01%	3	0.02%	2	0.01%	14	0.01%
3,501	4,000	4,000	0.2897	1,158.81	5	0.01%	-	0.00%	-	0.00%	5	0.00%
4,001	4,500	4,500	0.2897	1,303.66	5	0.01%	-	0.00%	-	0.00%	5	0.00%
4,501	5,000	5,000	0.2897	1,448.51	1	0.00%	-	0.00%	1	0.00%	2	0.00%
5,001	10,000	10,000	0.2897	2,897.01	7	0.01%	2	0.01%	-	0.00%	9	0.01%
10,001	40,000	40,000	0.2897	11,588.06	6	0.01%	1	0.01%	-	0.00%	7	0.01%
Total Number of Residential Consumers					68,072		17,753		30,710		116,535	
Total Number of Lifeline Consumers					16,427		5,221		19,384		41,032	
Percentage					24.13%		29.41%		63.12%		35.21%	

*BENECO LIFELINE LEVELS ARE FROM 0 kwh TO 45 kwh Consumption Per Month

*The Lifeline Consumers numbering 41,032 comprise thirty five percent (35%) of the Total No. of Residential Consumers of 116,535.

Furthermore, the average increase per kwh is P0.2745 out of which is P0.2178 for Members' Contribution for Capital Expenditures. The average net increase for operation and maintenance is only P0.0567 or an annual increase in revenue of P15,865,461.05 or a monthly increase of P1,322,121.75. This increase is very minimal considering that the base year of the unbundling is year 2000 and it has been eight years now that the Distribution, Supply and Metering Charges are without any adjustment.

Finally, compared with the Unbundled Rates, the BENECON's Re-Investment Fund is P0.2360 per kwh while the MCC is P0.2178 per kwh or a decrease of P0.0182 per kwh.

19. BENECON has duly complied with the pre-filing requirements by furnishing copies of the Application together with its supporting annexes and accompanying documents to the Local Government Units' legislative bodies within the franchise area and published the Application in its entirety in a newspaper of general circulation in the Province of Benguet.

A copy of the Affidavit of the Personnel who served the Application, together with the copies where it was stamped received is hereto attached as **Annex "A"** to form integral part hereof.

A copy of the Affidavit of Publication is hereto attached as **Annex "B"** to form an integral part hereof.

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 BENECON, as follows:

TYPE OF CONSUMERS	UNIT	PROPOSED RATES			
		Distribution	Supply	Metering	Members' Contribution for Capital Expenditures
RESIDENTIAL	PhP/kwh	0.4613	0.5376	0.3205	0.2178
	PhP/meter/mo			5.00	
LOW VOLTAGE	PhP/kwh	0.4441			0.2178
	PhP/cust/mo		46.60		
	PhP/meter/mo			32.78	
HIGHER VOLTAGE	PhP/kwh				0.2178
	PhP/kw	167.56			
	PhP/cust/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.

Alapang, La Trinidad, Benguet for Pasig City, 13 November 2009.

BENGUET ELECTRIC COOPERATIVE, INC.

Alapang, La Trinidad, Benguet

By:

ATTY. LUZ LAURETA-BALISONG

Counsel for BENEKO

PTR No. 2268271, 1-13-09, BC

IBP No. 767519, 1-09-09, BC

Roll No. 47174

MCLE Compliance No. I-0015228

Copy furnished by personal delivery:

Sangguniang Bayan of La Trinidad
La Trinidad Municipal Hall

Sanggunang Panlalawigan
Capitol Bldg., Benguet

Sangguniang Bayan
La Trinidad, Benguet

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, **MR. GERARDO P. VERZOSA**, of legal age, married, Filipino citizen and with office address at BENECON, Alapang, La Trinidad, Benguet, after taking an oath in accordance with law, depose and state:

1. That I am the General Manager and duly authorized representative of Benguet Electric Cooperative, Inc. (BENECON) by virtue of BENECON BOD Resolution No. 93-2009, herein Applicant in the above-entitled case;
2. That I am the Respondent in the afore-mentioned case;
3. That I caused the preparation of this Application for Approval of the Implementation of the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) with Provisional Authority;
4. That I have read it and its contents are true and correct of my own knowledge and based on authentic records; and,
5. That to the best of my knowledge, no other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any other tribunal or agency have been commenced;
6. That to the best of my knowledge, no such action is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency;
7. That should I learn thereafter that there is a similar action or proceeding which is either pending or may have been terminated, or if I shall thereafter learn that a similar action has been filed or is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency, I undertake to report the same to the Honorable Court within five (5) days.

IN WITNESS WHEREOF, I have hereunto set my hand this 13th day of November 2008, at Baguio City, Philippines.

GERARDO P. VERZOSA
General Manager

SUBSCRIBED AND SWORN to before me this 13th day of November 2009, at Baguio City, Philippines. Affiant exhibited to me his Community Tax Certificate No. _____, issued on _____ at La Trinidad, Benguet.

ATTY. LUZ LAURETA-BALISONG
Notary Public
PTR No. 2268271, 1-13-09, BC
IBP No. 767519, 1-09-09, BC
Roll No. 47174
MCLE Compliance No. I-0015228

DOC. NO. _____;
PAGE NO. _____;
BOOK NO. _____;
SERIES OF 2009.