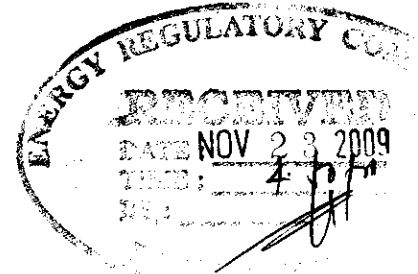


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

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



ERC CASE NO. 2009- 167 RC

CENTRAL NEGROS ELECTRIC
COOPERATIVE, INC.
(CENECO) Applicant.

x-----x



APPLICATION

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

1. CENECO 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 Gonzaga-Mabini Sts., Bacolod City, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Mr. Sulpicio C. Lagarde, Jr., of legal age, Filipino and with office address also at CENECO, Gonzaga-Mabini Sts., Bacolod City.
2. Herein applicant is the exclusive franchise holder issued by the National

namely: Cities of Bacolod, Talisay, Silay, Bago and Municipality of Murcia and Don Salvador Benedicto.;

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. CENECO participated in the above-mentioned public consultations and it submitted data/documents required by the ERC during the drafting of the said Rules;
7. Said regulatory framework 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 26, 2009 CENECO's Board of Director's passed Board Resolution

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 and the same was published in the Manila Bulletin on September 24, 2009;
11. Under the approved RSEC-WR, CENECO is categorized under Group "G";
12. As categorized in Group "G" EC, CENECO's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP 0.6900;
13. Further, CENECO 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
Streetlights with Meter	
Streetlights without Meter	
Large Commercial	Higher Voltage Customers
Primary Metering	

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

Table 2. Initial DSM Rate Caps Per Customer Class

	RESIDENTIAL		LOW VOLTAGE			HIGHER VOLTAGE		
	Php/kWh	PhP/Meter/ Mo.	Php/kWh	PhP/Cust /Mo.	PhP/Meter/ Mo.	Php/kWh	PhP/Cust/ Mo.	PhP/Meter/ Mo.
Distribution	0.2748		0.3748			118.55		
Supply	0.4140			59.73			59.73	
Metering	0.0460	5.0000			54.92			54.92

15. As a Group "G" EC, CENECO is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of Php0.1518/kWh;

16. Considering the above mentioned rates, CENECO's rate caps would be as follows:

	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	0.2748		0.3748				118.55		
Supply	0.4140			59.73				59.73	
Metering	0.3460	5.0000			54.92				54.92
Members Contribution for Capital Expenditures	0.1518		0.1518			0.1518			

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

Table 3. Proposed Transition Rates

PROPOSED TRANSITION RATES

		Current	Start of Transition	End of Year one	End of Transition
Distribution	PhP/kWh	0.5529	0.2748	0.2748	0.2748
Supply	PhP/kWh	0.2618	0.4140	0.4140	0.4140
Metering	PhP/meter/mo	5.0000	5.0000	5.0000	5.0000
Metering	PhP/kWh	0.2928	0.3460	0.3460	0.3460
Members Contribution for Capital Expenditures	PhP/kWh	0.2427	0.2427	0.2427	0.2427
Final Loan Condo	PhP/kWh	(0.1271)			
	N/A				
Distribution	PhP/kWh				
Supply	PhP/kWh				
Metering	PhP/meter/mo				
Metering	PhP/kWh				
Members Contribution for Capital Expenditures	PhP/kWh				
Final Loan Condo	PhP/kWh				

Metering	PhP/kWh				
Members Contribution for Capital Expenditures	PhP/kWh	0.2427	0.2427	0.2427	0.2427
Final Loan Condo	PhP/kWh	(0.0438)			
Final Loan Condo	PhP/cust/mo	(16.0067)			
Distribution	PhP/kWh	0.1720			
Distribution	PhP/kWh	50.0000	118.5500	118.5500	118.5500
Supply	PhP/kWh				
Supply	PhP/cust/mo	539.5100	59.7300	59.7300	59.7300
Metering	PhP/meter/mo	1,006.2000	54.9200	54.9200	54.9200
Metering	PhP/kWh				
Members Contribution for Capital Expenditures	PhP/kWh	0.2427	0.2427	0.2427	0.2427
Final Loan Condo	PhP/kWh	(0.0421)			
Final Loan Condo	PhP/cust/mo	(16.0625)			

18. CENECO submits that the implementation of the proposed rates would work to the best interest of its consumers as it would be encouraged to become more efficient and able to deliver reliable, efficient and quality service to its consumers. Further, CENECO has chosen to implement the proposed rates in full at the start of the transition period in order to make up for the times when its rate had been at the lower extreme as compared to its contemporary DUs. Furthermore, CENECO proposes that its Member's Contribution for Capital Expenditures (MCC) at the rate of PhP0.1518/kWh be increased to **PhP0.2427/kWh** based on technical/financial justification. This is the same rate allocated for reinvestment fund (Capex) during the unbundling of its rates in 2004.

19. CENECO has duly complied with the pre-filing requirements by furnishing copies of the Application together with its supporting annexes and accompanying documents to the following LGU's: the Sangguniang Panlalawigan of Negros Occidental, the Sangguniang Panlungsod of Bacolod City, and published the Application in its entirety in a newspaper of general circulation in the Province of Negros Occidental. 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;

- 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 CENECO, as follows:

		PROPOSED RATE			
		D	S	M	MCC
RESIDENTIAL	PhP/kWh	0.2748	0.4140	0.3460	0.2427
	PhP/cust/mo				
	PhP/meter/mo			5.0000	
LOW VOLTAGE	PhP/kWh	0.3748			0.2427
	PhP/cust/mo		59.7300		
	PhP/meter/mo			54.9200	
HIGHER VOLTAGE	PhP/kWh				0.2427
	PhP/kW	118.5500			
	PhP/cust/mo		59.7300		
	PhP/meter/mo			54.9200	

It is further prayed that the 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 13, 2009.

DECHAVEZ SAGAYO and LERIOS-AMBOY
LAW OFFICES
 Counsel for CENECO
 Units 1609-1610 Tycoon Centre Condo.,
 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

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

I, Sulpicio C. Lagarde, Jr. of legal age, Filipino and with office address at the Main Office of Central Negros Electric Cooperative, Inc. (CENECO), Bacolod City, after being sworn to according to law, depose and state that:

1. I am the General Manager of Central Negros Electric Cooperative, Inc. (CENECO);

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 CENECO;

3. CENECO 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 16 day of November, 2009 at Bacolod City.

NOV 16 2009

Sulpicio C. Lagarde, Jr.
Affiant

SUBSCRIBED AND SWORN to before me in Bacolod City, this 16 day of November 2009 by the affiant who exhibited to me his 0061-5776 issued at Makati and with validity until 2-19-09.

NOV 16 2009

ANDRE NORMAN G. SARIL
Notary Public
UNTIL DECEMBER 31, 2009
PTR NO. 342006611-7-09/B.C.
IBP NO. 755910/12-24-08/B.C.
TIN NO. 937-661-089
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