

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

IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
RATES ADJUSTMENT  
PURSUANT TO THE NEW  
RATE SETTING  
METHODOLOGY AS  
PROVIDED UNDER  
RESOLUTION NO. 20,  
DATED SEPTEMBER 23,  
2009 WITH PRAYER FOR  
PROVISIONAL  
AUTHORITY.

ERC CASE NO. 2009-71RC

CEBU III ELECTRIC  
COOPERATIVE, Inc.  
(CEBECO III)

Applicant.

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## APPLICATION

**COMES NOW**, APPLICANT Cebu III Electric Cooperative, Inc. (CEBECO III for brevity), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. Cebu III Electric Cooperative, Inc. (CEBECO III) 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 Luray II, Toledo City where it may be served with summons and other legal processes, represented in this Application by its General Manager, JEVY Q. BUENSALIDA, of legal age, Filipino, duly authorized by virtue of Resolution No. 80 dated October 10, 2009, copy of which is attached hereto as annex "A";

The filing of the instant Application is likewise authorized under the same Resolution aforementioned.

2. Applicant has the exclusive right and authority to operate an electric light and power services in the City of Toledo, and the Municipalities of Balamban, Pinamungajan, Asturias and Aloguinsan, all in the Province of Cebu by virtue of a Franchise issued by the National Electrification Administration (NEA) pursuant to Presidential Decree No. 269 as amended by Presidential Decree No. 1645, copy of the Franchise is attached hereto as annex "B";
3. Applicant, on May 9, 2009 passed and approved Resolution No. 34 imploring upon the Energy Regulatory Commission the issuance of a New Methodology in Rate Setting for Electric Cooperatives, and in response thereto, the Commission conducted series of public consultations on this particular and other related concerns. Copy of applicant's Board Resolution no. 34 is attached hereto as Annex "C";
4. Thus, on September 23, 2009, the Honorable Commission issued and approved Resolution No. 20, otherwise known as "RULES FOR SETTING THE ELECTRIC COOPERATIVES WHEELING RATES (RSEC-WR), which established a new rate setting methodology for Electric Cooperatives, the issuance of which was made pursuant to its authority as provided under 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);

- The current and existing rate used by Applicant on the customer classes prior to the issuance and approval of the aforesaid Resolution as determined by this Commission based on the 2000 test year is as follows:

Table 1: Schedule of Existing Rates

SCHEDULE OF RATES

October 2009 Billing

		Resl	Coml	Industrial	AFCI	CIPDI	CCC	Public Buildings	Street Lights
Distribution Charges:									
Demand Charge	PhP/kW	0.00	0.00	20.00	20.00	0.00	0.00	0.00	0.00
Distribution System Charge	PhP/kWh	1.0409	0.7155	0.5508	0.4080	0.1500	0.1500	0.5462	0.4881
Supply Charges:									
Retail Customer Charge	PhP/C	0.0000	23.4800	59.2900	2,777.47	0.00	0.00	26.23	26.15
Supply System Charge		0.4009							
Metering Charges:									
Retail Customer Charge	PhP/M	5.0000	34.8700	408.9600	48,558.24	0.0000	0.0000	63.59	98.57
Metering System Charge	PhP/kWh	0.4321							
Loan Condonation	PhP/kWh	(0.2113)	(0.0873)	(0.0775)	(0.0497)	0.0000	0.0000	(0.0609)	(0.0561)
Loan Condonation	PhP/Consumer	0.0000	(4.1860)	(4.1860)	(4.1860)	0.0000	0.0000	(4.1860)	(3.7019)
Lifeline Rate (Discount)	PhP/kWh	0.0953	0.0953	0.0953	0.0953	0.0000	0.0000	0.0953	0.0953

- By virtue of the said Resolution No. 20, the Electric Cooperatives are given the privilege and opportunity to adjust their current rates and set new rates for the newly established/revised customer classes in accordance with the provisions of Articles 4, 5 and 6 thereof, which revised customer classification the Applicant is mandated to implement;

- Under the said Resolution No. 20, Article 2, CEBECO III is classified under Group "D" and in accordance with the new rate setting methodology therein provided, the Initial Tariff for its

Distribution, Supply and Metering, as well as the amount to be collected as Member's Contribution for Capital Expenditures pursuant to the newly established/revised customer classification, are as follows, to wit;

Table 2: Initial Distribution, Supply, Metering Rate Cap

Group D						
Particulars	Units	Distribution	Supply	Metering	Contribution	Total
Residential	PhP/kWh	0.5143	0.5828	0.3669	0.2508	1.7148
	PhP/cust/mo			5.0000		5.0000
Low Voltage	PhP/kWh	0.5134			0.2508	0.7642
	PhP/cust/mo		41.61	31.19		72.8030
Higher Voltage	PhP/kW	190.03				190.0268
	PhP/kWh				0.2508	0.2508
	PhP/cust/mo		41.61	31.19		72.8030

8. Thus, following the aforementioned new rate setting methodology, provided under Articles 4, 5 and 6 of Resolution No. 20, Applicant proposes the following Initial DSM Rates during the transition period as follows:

Table 3: Proposed Transition Rates

Manner of Implementation	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
	1.0000	1.0000	-	-
<b>RESIDENTIAL</b>				
Cust. Type: Residential				
Distribution (kWh)	1.0409	0.5143	0.5143	0.5143
Supply (kWh)	0.4009	0.5828	0.5828	0.5828
Metering (Customer)	5.0000	5.0000	5.0000	5.0000
Metering (kWh)	0.4321	0.3669	0.3669	0.3669
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.2113)			
<b>SUB-TOTAL</b>				
<b>LOW VOLTAGE</b>				
Cust. Type: Commercial				
Distribution (kWh)	0.7155	0.5134	0.5134	0.5134
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	23.4800	41.6104	41.6104	41.6104
Metering (Customer)	34.8700	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0873)			
Final Loan Condo	(4.1860)			

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Manner of Implementation	1.0000	1.0000	-	-
<b>LOW VOLTAGE</b>				
Cust. Type: Public Building				
Distribution (kWh)	0.5462	0.5134	0.5134	0.5134
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	26.2300	41.6104	41.6104	41.6104
Metering (Customer)	63.5900	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0609)			
Final Loan Condo	(4.1860)			
Cust. Type: Street Lights				
Distribution (kWh)	0.4881	0.5134	0.5134	0.5134
Distribution (kW)		-	-	
Supply (kWh)		-	-	
Supply (Customer)	26.1500	41.6104	41.6104	41.6104
Metering (Customer)	98.5700	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0561)			
Final Loan Condo	(3.7019)			
Cust. Type: Industrial				
Distribution (kWh)	0.5508	0.5134	0.5134	0.5134
Distribution (kW)	20.0000	-	-	
Supply (kWh)		-	-	
Supply (Customer)	59.2900	41.6104	41.6104	41.6104
Metering (Customer)	408.9600	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0775)			
Final Loan Condo	(4.1860)			
<b>SUB-TOTAL</b>				
<b>HIGHER VOLTAGE</b>				
Cust. Type: Commercial				
Distribution (kWh)	0.7155	-	-	
Distribution (kW)		190.0268	190.0268	190.0268
Supply (kWh)		-	-	
Supply (Customer)	23.4800	41.6104	41.6104	41.6104
Metering (Customer)	34.8700	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0873)			
Final Loan Condo	(4.1860)			
Cust. Type: Industrial				
Distribution (kWh)	0.5508	-	-	
Distribution (kW)	20.0000	190.0268	190.0268	190.0268
Supply (kWh)		-	-	
Supply (Customer)	59.2900	41.6104	41.6104	41.6104
Metering (Customer)	408.9600	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for Capital Expenditures		0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0775)			
Final Loan Condo	(4.1860)			

	Rates Billed			
	Current	Start of Transition	End of Year one	End of Transition
Percentage increase	1.0000	1.0000	-	-
<b>HIGHER VOLTAGE</b>				
Cust. Type: Large Load-AFC				
Distribution (kWh)	0.4080	-	-	
Distribution (kW)	20.0000	190.0268	190.0268	190.0268
Supply (kWh)		-	-	
Supply (Customer)	2,777.4700	41.6104	41.6104	41.6104
Metering (Customer)	48,558.2400	31.1926	31.1926	31.1926
Metering (kWh)		-	-	
Members Contribution for				
Capital Expenditures	-	0.2508	0.2508	0.2508
Final Loan Condo (kWh)	(0.0497)			
Final Loan Condo	(4.1860)			

9. Applicant finds the implementation of the proposed adjusted rates beneficial and for the best interest of its member-consumers, considering that it encourages efficiency in the operation of the Applicant and provides incentives for good performances towards the betterment of services, enhancing further its mandate on rural electrification. Moreover, the rates herein proposed and applied for approval satisfactorily correspond to and in the level of the tariff caps set by the Commission in the aforementioned Resolution No. 20 there being no indicative necessity within the transition period to go beyond the tariff caps based on applicant's evaluation and determination;

10. Likewise, the rates herein proposed shall help achieve the projected revenue requirements of the Applicant, which under the existing rate is difficult to achieve. Applicant's revenue requirements are hereunder enumerated as follows, to wit:

Table 4: Revenue Requirements

Revenue Requirements	Amount
Distribution	20,707,042
Maintenance	18,016,131
Total Distribution Expenses	38,723,173
Customer and Information Expenses	17,959,849
Administrative & General Expenses	32,194,237
Total Operation and Maintenance Expenses	88,877,259
Reduction of 5% to account for ORI	84,433,396
Escalation to 2011 (end of transition period)	98,077,709

11. Applicant's Functionalization and Allocation of Cost are hereunder enumerated as follows:

Table 5: Functionalization and Allocation of Costs

Customer	Distribution	Supply	Metering
Residential	23,611,436	26,757,183	20,048,051
Lower Voltage	13,908,295	2,982,612	2,234,748
Higher Voltage	8,488,523	26,790	20,073
Total	46,008,253	29,766,585	22,302,871

12. It is further declared and submitted that the new rates herein applied shall in no way adversely affect those classified under the lifeline rates;
13. In compliance with the Pre-Filing requirements under Section 2, Rule 6 of the Commission's Rules on Practice and Procedure, Applicant furnished copies of this Application together with all its annexes the legislative bodies of the City of Toledo where its office is principally located, as well as the Provincial Board of the Province of Cebu, the City of Toledo being a component city thereof as evidenced by the affidavit of service executed by

Nikki K. Ledesma an associate under the Office of the General Manager, copy of which is attached hereto as annex “D”; likewise, a copy of the Application was published in the Freeman, a newspaper of general circulation in the franchise area of the Applicant and the Province of Cebu, as evidenced by the Affidavit of Publication executed by the Editor, copy of which is attached hereto as annex “E”;

## **APPLICATION** **FOR PROVISIONAL AUTHORITY**

14. The current rate of Applicant is no longer responsive since the costs of providing electric service to the consumers increased significantly from the time its rates were determined by the Commission based on the 2000 test year;
15. With this recognized impropriety of the current rate, an urgent remedy is imperative and should necessarily be implemented;
16. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate and reasonable that a provisional authority to immediately implement the new rate herein prayed for shall be granted;
17. The provisional authority thus prayed for would bring forth relief on the financial constraints currently suffered by the Applicant, if not remedied, may resort to unreasonable operational decline;

## PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

1. To approve the new rate schedule for Applicant as per new customer classification as follows, to wit:

Table 6: New Rate Schedule

TYPE OF CUSTOMER	UNITS	RATE DESIGN		
		D	S	M
Residential	PhP/kWh	0.5143	0.5828	0.3669
	PhP/Cust./Mo.			5.00
Member Contribution for CAPEX	PhP/kWh	0.2508		
Low Voltage	PhP/kWh	0.5134		
	PhP/Cust./Mo.		41.6104	31.1926
Member Contribution for CAPEX	PhP/kWh	0.2508		
Higher Voltage	PhP/kWh	190.0268		
	PhP/Cust./Mo.		41.6104	31.1926
Member Contribution for CAPEX	PhP/kWh	0.2508		

2. To issue an Order granting Applicant a provisional authority to implement the new rates herein prayed for pending hearing and final evaluation of the application by the Honorable Commission.

Cebu City (for Pasig City), Philippines. October \_\_\_\_, 2009.

**ALAN C. GAVIOLA**  
**Counsel for the Applicant**  
A.C. GAVIOLA LAW OFFICE  
Rm. 203, 2/F Crown Plaza Bldg.  
3<sup>rd</sup> Ave., North Reclamation Area, Cebu City  
PTR No. 8620834; Cebu City; Jan. 26, 2009  
IBP O.R. 771063; Cebu City; Jan. 19, 2009  
ROLL NO. 30385  
MCLE COMPLIANCE I-0014328 Dec. 15, 2008  
MCLE COMPLIANCE II-0014329 Dec. 15, 2008

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

I, **JEVY Q. BUENSALIDA**, of legal age, Filipino with postal address at CEBECO III, Luray II, Toledo City having been sworn in accordance with law hereby depose and say:

1. That I am the General Manager of Cebu III Electric Cooperative, Inc., duly authorized to represent the same by virtue of Resolution No. 80 dated October 10, 2009 of the Board of Directors;
2. That I caused the preparation of the foregoing Application, read its contents and found the same true and correct of my own personal knowledge and based on authentic documents;
3. That I, nor the Applicant Electric Cooperative have filed other application or petition of similar nature with the Supreme Court, the Court of Appeals or any divisions thereof, nor with other tribunal or agencies; and if I later know of the existence of any case of similar nature filed or pending with the Supreme Court, the Court of Appeals or any divisions thereof, or any tribunal or agency, I undertake to inform this Commission within five (5) days from knowledge thereof.

IN WITNESS WHEREOF, I have hereunto affix my signature  
this 13th day of October, 2009 in Cebu City, Philippines.

JEVY Q. BUENSALIDA

SUBSCRIBED AND SWORN TO before me this 13th day of  
October, 2009 in Cebu City, Philippines. Affiant exhibited to me his  
Driver's license No. G07-06-000896 issued at Toledo City on July 13,  
2006 as a means of identifying affiant.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2009.