

REPUBLIC OF THE PHILIPPINES
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE APPLICATION
FOR APPROVAL FOR RATE ADJUSTMENTS
IN ACCORDANCE WITH THE PROVISIONS
OF R.A. 9136, WITH PRAYER FOR
ISSUANCE OF PROVISIONAL AUTHORITY**

ERC CASE NO. 2010 – 001 RC

**CAMOTES ISLAND ELECTRIC
COOPERATIVE, INC. (CELCO)
Petitioner/Applicant.**

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APPLICATION

COMES NOW, applicant CAMOTES ISLAND ELECTRIC COOPERATIVE, INC. (CELCO) through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. That applicant, CELCO, is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office address located at Western Poblacion, Poro, Camotes, Cebu, whereat it may served with summons and other legal processes, represented in this instance by its General Manager, Rolando B. Camaso, of legal age, Filipino, married and with office address also at Western Poblacion, Poro, Camotes, Cebu. Herein applicant is the exclusive franchise holder issued by the National Electrification Commission to operate an electric light and power services in the Municipalities of Poro, San Francisco, Tudela and Pilar, all in the Province of Cebu.
2. That applicant has prepared its proposed rate adjustment in accordance with the specific provision of Republic Act No. 9136 and the implementing guidelines issued by the Energy Regulatory Commission (ERC) and in conformity with the Implementing Rules and Guidelines on pre-filing requirements. The application submitted to the Commission made use of the model computation prescribed by the Commission using the 2008 as the test year. And as such, CELCO requests from this Commission the approval of its proposed unbundled rate per customer class relative to distribution, supply and metering charges as presented hereinbelow:

Table I - Comparison of Proposed and Existing Rates

| Customer Class | EXISTING RATES | PROPOSED RATES | Difference INCREASE |
|-----------------------------|----------------|----------------|---------------------|
| <u>Residential:</u> | | | |
| Distribution-per kWh Supply | 1.3656 | 1.2846 | (0.0810) |
| per customer/mo. per kWh | 0.5688 | 1.2341 | 0.6653 |
| Metering | | | |
| per meter/mo. per kWh | 5.0000 | 5.0000 | - |
| Loan Condonation | | | |
| per customer/mo. per kWh | 0.5104 | 1.7810 | 1.2706 |
| | (0.7421) | | 0.7421 |
| Total Peso/kWh | 1.7027 | 4.2997 | 2.5970 |
| Total Peso/kW | | | |
| Total Peso/cust./mo. | 5.00 | 5.00 | - |

| | | | |
|-----------------------------|----------------|----------------|-----------------|
| <u>Commercial:</u> | | | |
| Distribution-per kWh Supply | 1.2793 | 0.4515 | (0.8278) |
| per customer/mo. per kWh | 23.4600 | 35.8572 | 12.3972 |
| Metering | | | |
| per meter/mo. per kWh | 52.2100 | 56.0586 | 3.8486 |
| Loan Condonation | | | |
| per customer/mo. per kWh | (18.0889) | | 18.0889 |
| | (0.4282) | | 0.4282 |
| Total Peso/kWh | 0.8511 | 0.4515 | (0.3996) |
| Total Peso/kW | | | |
| Total Peso/cust./mo. | 57.5811 | 91.9158 | 34.3347 |

| | | | |
|-----------------------------|-----------------|-----------------|-----------------|
| <u>Industrial</u> | | | |
| Distribution-per kWh | 1.3678 | 1.0080 | (0.3598) |
| Distribution-per kW Supply | 16.5000 | 16.5000 | |
| per customer/mo. per kWh | 38.2200 | 35.8830 | (2.3370) |
| Metering | | | |
| per meter/mo. per kWh | 208.8600 | 751.1582 | 542.2982 |
| Loan Condonation | | | |
| per customer/mo. per kWh | (70.8370) | | 70.8370 |
| | (0.4874) | | 0.4874 |
| Total Peso/kWh | 0.8804 | 1.0080 | 0.1276 |
| Total Peso/kW | 16.5000 | 16.5000 | - |
| Total Peso/cust./mo. | 176.2430 | 787.0412 | 610.7982 |

| | | | |
|--------------------------------|-----------------------|----------------|-------------------|
| Public Buildings: | | | |
| Distribution-per kWh Supply | 1.3743 | 0.7248 | (0.6495) |
| per customer/mo. per kWh | 21.3200 | 35.8563 | 14.5363 |
| Metering | | | |
| per meter/mo. per kWh | 52.2100 | 56.9449 | 4.7349 |
| Loan Condonation | | | |
| per customer/mo. per kWh | (18.0889) (0.4725) | | 18.0889 0.4725 |
| Total Peso/kWh | 0.9018 | 0.7248 | (0.1770) |
| Total Peso/kW | | | |
| Total Peso/cust./mo. | 73.5300 | 92.8012 | 19.2712 |

| | | | |
|--------------------------------|----------------------|----------------|------------------|
| Street Lights: | | | |
| Distribution-per kWh Supply | 1.2086 | 2.5398 | 1.3312 |
| per customer/mo. per kWh | 28.4600 | 35.8576 | 7.3976 |
| Metering | | | |
| per meter/mo. per kWh | 20.8900 | 59.2878 | 38.3978 |
| Loan Condonation | | | |
| per customer/mo. per kWh | (5.6544) (0.3489) | | 5.6544 0.3489 |
| Total Peso/kWh | 0.8597 | 2.5398 | 1.6801 |
| Total Peso/kW | | | |
| Total Peso/cust./mo. | 49.3500 | 95.1454 | 45.7954 |

3. That on December 21, 2001, CELCO filed with the Energy Regulatory Commission (ERC) docketed as ERC Case No. 2001-948, in compliance with the provisions of Republic Act No. 9136 requiring every Distribution Utility to unbundled its rates, and prayed for an overall average tariff adjustment of **Php 0.5085** per kwh. That on September 30, 2004, the Commission approved CELCO's application for the Unbundling of Rates, with an overall average tariff adjustment of **Php 0.3370** per kwh;

3.a That the decision of the Commission regarding rates of CELCO, resulted to a decrease in rates by **Php 0.1715/kwh**. CELCO felt that said rates will not sufficiently allow the cooperative to achieve its mandate because it will continue to incur financial losses.

3.b The the denial of the Supreme Court on our Petition for Review by the Court of Appeals on the Commission's decision on the unbundling of rates application of CELCO leaves the cooperative no choice but to file for a new rate adjustment with ERC.

3.c That based on the financial data and billing determinants for the test year 2008, CELCO arrived at the revenue requirement for the different customer classes based on the distribution system cost component of

CELCO that resulted in the Over-all Tariff Adjustment of Php. 1.5498/kwh, as shown in Table II hereof:

Table II. Comparison of Revenue Requirement

| Customer Class | Billing Determinants | | | | | | |
|-----------------------------|----------------------|------------------|-----------|----------------|-------------------|----------------|-------------------|
| | Annualized kwh Sales | No. of Customers | kW Demand | Existing Rates | Existing Revenues | Proposed Rates | Proposed Revenues |
| <u>Residential:</u> | | | | | | | |
| Distribution-per kWh Supply | 3,540,203 | 10,155 | - | 1.3656 | 4,834,501 | 1.2846 | 4,547,745 |
| per customer/mo. | | | | | | | |
| per kWh Metering | | | | 0.5688 | 2,013,667 | 1.2341 | 4,368,989 |
| per meter/mo. | | | | 5.0000 | 609,300 | 5.0000 | 609,300 |
| per kWh Loan Condonation | | | | 0.5104 | 1,806,919 | 1.7810 | 6,304,991 |
| per customer/mo. | | | | | | | |
| per kWh | | | | (0.7421) | (2,627,184) | | - |
| Total Residential | | | | | 6,637,203 | | 15,831,182 |
| <u>Commercial:</u> | | | | | | | |
| Distribution-per kWh Supply | 1,590,233 | 860 | - | 1.2793 | 2,034,385 | 0.4515 | 717,967 |
| per customer/mo. | | | | | | | |
| per kWh Metering | | | | 23.4600 | 242,107 | 35.8572 | 370,046 |
| per meter/mo. | | | | | | | |
| per kWh | | | | 52.2100 | 538,807 | 56.0586 | 578,524 |
| Loan Condonation | | | | | | | |
| per customer/mo. | | | | (18.0889) | (186,677) | | - |
| per kWh | | | | (0.4282) | (680,938) | | - |
| Total Commercial | | | | | 1,947,684 | | 1,666,537 |
| <u>Industrial</u> | | | | | | | |
| Distribution-per kWh | 153,311 | 15 | 16,405 | 1.3678 | 209,698 | 1.0080 | 154,538 |
| Distribution-per kW Supply | | | | 16.5000 | 270,679 | 16.5000 | 270,679 |
| per customer/mo. | | | | | | | |
| per kWh Metering | | | | 38.2200 | 6,880 | 35.8830 | 6,459 |
| per meter/mo. | | | | | | | |
| per kWh | | | | 208.8600 | 37,595 | 751.1582 | 135,208 |
| Loan Condonation | | | | | | | |
| per customer/mo. | | | | (70.8370) | (12,751) | | - |
| per kWh | | | | (0.4874) | (74,724) | | - |
| Total Large Load | | | | | 437,378 | | 566,884 |

| | | | | | | | |
|--------------------------------------------------|-----------|--------|--------|-----------|-----------|---------|---------------|
| Public Buildings: | | | | | | | |
| Distribution-per kWh Supply | 611,855 | 390 | - | 1.3743 | 840,872 | 0.7248 | 443,486 |
| per customer/mo. per kWh Metering | | | | 21.3200 | 99,778 | 35.8563 | 167,807 |
| per meter/mo. per kWh | | | | 52.2100 | 244,343 | 56.9449 | 266,502 |
| Loan Condonation per customer/mo. | | | | (18.0889) | (84,656) | | |
| per kWh | | | | (0.4725) | (289,102) | | |
| Total Public Buildings | | | | | 811,235 | | 877,795 |
| Street Lights: | | | | | | | |
| Distribution-per kWh Supply | 64,048 | 32 | - | 1.2086 | 77,409 | 2.5398 | 162,670 |
| per customer/mo. per kWh Metering | | | | 28.4600 | 10,929 | 35.8576 | 13,769 |
| per meter/mo. per kWh | | | | 20.8900 | 8,022 | 59.2878 | 22,767 |
| Loan Condonation per customer/mo. | | | | (5.6544) | (2,171) | | - |
| per kWh | | | | (0.3489) | (22,346) | | - |
| Total Street Lights | | | | | 71,841 | | 199,206 |
| TOTAL BILLING DETERMINANTS | 5,959,650 | 11,452 | 16,405 | | | | |
| TOTAL REVENUE REQUIREMENT | | | | 1.6621 | 9,905,342 | | 19,141,604 |
| DIFFERENCE IN REVENUES(Proposed-Existing) | | | | | | | 9,236,262 |
| OATA Proposed | | | | | | | 1.5498 |

4. That based on the above mentioned proposed revenue of rates, CELCO is seeking the immediate approval of the proposed revenue requirement for its unbundling of rates as shown below:

Table III Revenue Requirement per Cost Component

| | Total Company | Electric Adjustment | Proposed Revenue Requirement |
|-------------------------------------------------------|---------------|---------------------|------------------------------|
| Payroll | 5,799,271 | 3,960,496 | 9,759,767 |
| Operating and Maintenance (less fuel, pp and payroll) | 5,225,185 | | 5,225,185 |
| Debt Service | 2,414,724 | 1,134,140 | 3,548,864 |
| Less: Other Revenue Items | 2,066,205 | | 2,066,205 |
| Plus: Percentage for cooperative investment | 2,673,994 | | 2,673,994 |
| Total Revenue Requirement | | | 19,141,605 |

4.a That the proposed payroll was based on the existing plantilla of the cooperative and NEA Approved Salary Scale as of June 1, 2005 in accordance with NEA Memorandum and with corresponding budget approval.

4.b That the Electric Adjustment in Payroll portion was based on the implementation of NEA Approved Salary Scale dated March 1, 2009 and inclusion of Past Service Liability based on the Actuarial Report on Retirement Plan conducted by E.M. Zalamea Actuarial Services, Inc.

4.c That the proposed Operation and Maintenance Expenses were based on 2008 data;

4.d That the Debt Service provided for in this application are net of loans condoned by PSALM and are still due to payment to NEA and CEBECO II as of December 31, 2008.

4.e That the adjustment in the Debt Service are additional loans from NEA.

4.f That the annual amortization applied for under the Debt Service and supported by NEA and CEBECO II amortization schedule as of December 31, 2008 as follows:

| Annual Amortization Applied for Debt Service | | |
|----------------------------------------------|------------------------|---------------------|
| Name of Loan | Quarterly Amortization | Annual Amortization |
| NEA A (HQ) | 18,247 | 72,988 |
| NEA E (HQ) | 17,985 | 71,940 |
| NEA Single Digit System Loss | 334,100 | 1,336,400 |
| CEBECO II Pasa Loan | 233,349 | 933,396 |
| NEA RE (F) | 96,831 | 387,324 |
| NEA RE (G) | 186,704 | 746,816 |
| TOTAL | | 3,548,864 |

4.g That based on the provision of the unbundling of rates, 50% of the revenue earned from the use of asset-related properties of the electric cooperative shall be shared between the utility and its consumers. CELCO abides with the said provision and has proposed to share with the consumers the amount of Php 2,066,205.00 as Other Revenue Items to be deducted from the proposed revenue requirement;

4.h That for the purpose of implementing its system loss reduction program, the cooperative requires considerable investment in order to attain an acceptable level of system loss. The amount in this application represents the corresponding costs in the 5 year work plan of the cooperative and NEA Cash Approved Budget for the year 2008. Thus, the provision of Reinvestment Cost was to increase to 14% of the Proposed Gross Revenue Requirement;

5. That based on the annualized kwh sales and number of customer class from the audited financial statement and statistical information for the test year 2008, billing determinants and allocation factors used, CELCO arrived at the functionalized and allocated cost to the different customer classes, the resulting Summary of Revenue are as follow:

Table IV - Revenue Requirement per Cost Component

| Class | Total Revenue | Distribution Related Revenue | Supply Related Revenue | Metering Related Revenue |
|-----------------|-------------------|------------------------------|------------------------|--------------------------|
| Residential | 15,831,182 | 4,547,902 | 4,368,989 | 6,914,291 |
| Commercial | 1,666,537 | 717,967 | 370,046 | 578,524 |
| Industrial | 566,884 | 425,217 | 6,459 | 135,208 |
| Public Buidling | 877,796 | 443,486 | 167,807 | 266,502 |
| Street Lights | 199,206 | 162,670 | 13,769 | 22,767 |
| Total | 19,141,605 | 6,297,241 | 4,927,071 | 7,917,293 |

6. CELCO's Inter-class Cross Subsidy charges was fully removed effective last March 2006 billing per ERC Decision under Case No. 2001-948. CELCO, therefore, will not include said charges in this rate application.
7. CELCO does not propose a new lifeline level of computation. CELCO adopts ERC Guidelines for the calculation of over or under recovery in the implementation of lifeline rates. CELCO's existing level of lifeline rates is as follows:

Table V Lifeline Kwh Consumption Level and Discount

| KWH Consumption | Level of Discount |
|------------------|-------------------|
| 12 Kwh and below | 10% |

Lifeline Subsidy of Non-Lifeline Consumers - 0.0616 per kwh

8. That applicant has prepared its proposed rate adjustment in accordance with the specific provision of Republic Act No. 9136 and the implementing guidelines issued by the Energy Regulatory Commission (ERC) and in conformity with the Implementing Rules and Guidelines on pre-filing requirements, as follow to wit:
 - a. Application duly submitted to the various Local Government Units (LGU) within its coverage area;
 - b. Certification from the Local Government Units (LGU), principally the LGU where the main office of CELCO is located;
 - c. Affidavit of Publication from the local newspaper and;
 - d. Issues of the local newspaper.

9. That the applicant, CELCO, in support of this application for the approval of the new rate adjustments, has attached the following required documents as provide for in the guidelines:

| | |
|-----------------|---------------------------------------------------------------------------------|
| Schedule A | Historical Cost by Function |
| Schedule D | Functionalization Factors |
| Schedule E | Class Allocation Factors/Ratios-Distribution, Supply & Metering |
| Schedule F | Rate Design, Revenue Summary and Proof of Revenue Statement |
| Schedule H | Proof of Revenue Statement using Existing Effective Average Rates and Kwh Sales |
| Schedule I | Justification of Lifeline Rates |
| Schedule J | Proposed Charges per Customer Class |
| Schedule K | Rate Class Definitions |
| Other Documents | |

PRAYER

Wherefore, premises considered, it is respectfully prayed of this Honorable Commission that:

1. Pending hearing and final approval, in a PROVISIONAL AUTHORITY be granted to CELCO to implement the herein submitted over-all tariff adjustment per customer class, as follows:

Table VI PROPOSED CHARGES PER CUSTOMER CLASS

| Particulars | | CUSTOMER CLASS | | | | |
|----------------------------|---------------|----------------|------------|------------|------------------|---------------|
| | | Residential | Commercial | Industrial | Public Buildings | Street Lights |
| Distribution Charge | | | | | | |
| Demand Charge | (Php/kw) | | | 16.50 | | |
| Distribution System Charge | (Php/kwh) | 1.2846 | 0.4515 | 1.0080 | 0.7248 | 2.5398 |
| Supply Charge | | | | | | |
| Retail Customer Charge | (Php/cust/mo) | | 35.86 | 35.88 | 35.86 | 35.86 |
| Supply System Charge | (Php/kwh) | 1.2341 | | | | |
| Metering Charge | | | | | | |
| Retail Meter Charge | (Php/cust/mo) | 5.00 | 56.06 | 751.16 | 56.94 | 59.29 |
| Metering System Charge | (Php/kwh) | 1.7810 | | | | |

2. And after due notice and hearing and consideration, a Decision be issued APPROVING PERMANENTLY the over-all tariff adjustment (increase) per customer class as above-stated.

Other relief/s just and equitable under the premises are likewise prayed for.

Quezon City, for Pasig City, Philippines, this November 18, 2009.

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