



RESOLUTION NO. 20, Series of 2009

A RESOLUTION ADOPTING THE RULES FOR SETTING THE ELECTRIC COOPERATIVES' WHEELING RATES

WHEREAS, Section 25 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) provides that the retail rates charged by Distribution Utilities (DUs) for the supply of their electricity in their captive market shall be subject to regulation by the Energy Regulatory Commission (Commission) based on the principle of full recovery of prudent and reasonable economic costs incurred or such other principles that will promote efficiency as may be determined by the Commission;

WHEREAS, Section 43 (f) of the EPIRA and its Implementing Rules and Regulations (IRR) authorize the Commission to adopt alternative forms of internationally-accepted rate-setting methodology it may deem appropriate;

WHEREAS, the current rates of ECs are no longer responsive since the costs of providing electric service to the consumers increased significantly from the time their rates were determined by the Commission based on 2000 test year;

WHEREAS, the ECs are cognizant of the inherent regulatory lag in the current cash flow rate-setting methodology adopted through a quasi-judicial process which is further exacerbated by the fact that if all the one hundred twenty (120) ECs file their respective rate applications with each application to be resolved in one (1) month, it will take the Commission one hundred twenty (120) months or ten (10) years, to resolve all the applications;

WHEREAS, the Commission has conducted studies to establish a new rate-setting methodology for ECs that will address their present problems and resolve the regulatory lag in the resolution of rate applications, particularly, the "Benchmarking Methodology";

WHEREAS, the results of said "Benchmarking Methodology" studies were subjected to several expository and public consultations which were held on various dates and venues. The ECs attended and actively participated in the said expository and public consultations and submitted data to the Commission reflecting their respective costs of service as part of the "Benchmarking Methodology" studies;

WHEREAS, the rates as determined in the said "Benchmarking Methodology" encourage the ECs to be financially self-sufficient, efficient and member- customer responsive;

Five handwritten signatures in black ink are located at the bottom of the page, arranged horizontally from left to right.

WHEREAS, on May 3 and 4, 2007, the Commission conducted a series of expository hearings for all ECs in Luzon, Visayas and Mindanao on the proposed "Benchmarking Methodology" for ECs;

WHEREAS, on May 17, 2007, the Commission conducted a public consultation on the "Classification of ECs for Regulatory Purposes and the Proposed Efficiency Benchmarking Methodology";

WHEREAS, on various dates, the Commission conducted a series of Expository Public Consultations for all ECs in Luzon, Visayas and Mindanao on the classification of on-grid ECs and the determination of the functionalized benchmark Operation and Maintenance (O & M) rate, Capital Expenditure (CAPEX) rate, proposed customer segmentation, proposed benchmark rate design, new lifeline charges, performance indices, transition period and rate comparison;

WHEREAS, after considering all the comments and manifestations during the various public consultations, the Commission developed a new methodology for setting the ECs' wheeling rates embodied in a document denominated as "Rules for Setting the Electric Cooperatives' Wheeling Rates" (RSEC-WR);

WHEREAS, on April 4, 2009, the General Managers of all the on-grid Electric Cooperatives (ECs) in the Philippines adopted *Resolution No. 1, Series of 2009*, entitled "A Resolution Imploring Upon the Energy Regulatory Commission to Implement a New Rate-Setting Methodology for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)";

WHEREAS, on April 21, 2009, the Commission issued a Notice of Proposed Rule-Making (Notice), wherein it treated the Resolution adopted by the General Managers of all the on-grid ECs as a petition to initiate rule-making by the ECs that are signatories thereto, docketed as ERC Case No. 2009-007 RM, entitled "*In the Matter of the Petition by the On-Grid Electric Cooperatives for the Adoption of the Rules for Setting the Electric Cooperatives' Wheeling Rates*". The Draft RSEC-WR adopted the Rule-Making proceedings under Rule 21 of the Commission's Rules of Practice and Procedure. All interested parties were directed to submit their respective comments on the Draft RSEC-WR until May 15, 2009 and said petition was set for public hearings on various dates and venues;

WHEREAS, on various dates, several ECs and interested parties submitted their respective comments on the Draft RSEC-WR;

WHEREAS, from May 17 to July 20, 2009, the Commission conducted public hearings on the instant petition at the respective localities of the ninety-six (96) on-grid ECs;

WHEREAS, on August 19, 2009, the Commission posted at its website and published in newspapers of general circulation in the Philippines the revised Draft RSEC-WR for solicitation of comments from interested parties;



WHEREAS, on various dates, several ECs and interested parties submitted their respective comments on the revised Draft RSEC-WR;

WHEREAS, in accordance with the aforesaid mandate and after a careful consideration of the various views and comments submitted by interested parties, the Commission adopts and promulgates the RSEC-WR;

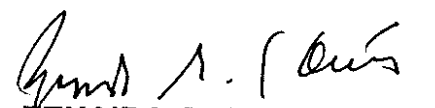
NOW, THEREFORE, be it **RESOLVED**, as the Commission hereby **RESOLVES** to **ADOPT** the "Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR)", hereto attached as Annex "A" and made an integral part of this Resolution.

The Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA) is hereby directed to publish the said RSEC-WR in a newspaper of general circulation in the Philippines.

This Resolution shall take effect after fifteen (15) days following the completion of its publication in a newspaper of general circulation in the Philippines.

Let copies of this Resolution be furnished the University of the Philippines Law Center-Office of the National Administrative Register (UPLC-ONAR), PHILRECA and all on-grid electric cooperatives (ECs).


Pasig City, September 23, 2009.


ZENAIDA G. CRUZ-DUCUT
Chairperson *gmaeb*


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A.R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner