

Republic of the Philippines
ENERGY REGULATORY COMMISSION
 Pasig City

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

COTABATO ELECTRIC COOPERATIVE INC. - PPALMA (COTELCO-PPALMA),
Applicant.

ERC CASE NO. 2022-042 RC

Promulgated:
 June 21, 2022

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 01 June 2022, Cotabato Electric Cooperative Inc. - PPALMA (COTELCO-PPALMA) filed an Application dated 29 December 2021 seeking the Commission's approval of its rates under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR), with prayer for provisional authority.

The pertinent provisions of the said Application are hereunder quoted as follows:

- COTELCO-PPALMA, is a non-stock, non-profit membership electric cooperative, duly organized and existing under Philippine law, with principal office address at the Municipality of Midsayap, Province of Cotabato.
- On 17 April 2019, Republic Act (R.A.) No. 11322, entitled "An Act Granting a Legislative Franchise to Cotabato Electric Cooperative, Inc.-PPALMA (COTELCO-PPALMA) to Construct, Install, Establish, Operate and Maintain a Distribution System for the Conveyance of Electric Power to the End Users in the Municipality of Pikit, Pigawayan, Alesan, Libungan, Midsayap and Alamada, Province of Cotabato, and its Neighboring Suburbs" was enacted into law.
- R.A. No. 11322 grants COTELCO-PPALMA an exclusive franchise to construct, install, establish, operate and maintain a distribution system for the conveyance of electric power to the end users in the Municipalities of Pikit, Pigawayan, Alesan, Libungan, Midsayap and Alamada, Province of Cotabato, and its Neighboring Suburbs (PPALMA Area) for a period of twenty-five years.
- The authority to distribute electricity in PPALMA area used to be with Maguindanao Electric Cooperative, Inc. (MAGELCO).
- In 2000, Cotabato Electric Cooperative, Inc. (COTELCO) filed an application with the National Electrification Administration (NEA) for the amendment of its franchise to include PPALMA area.
- In its Decision dated 18 September 2003, NEA granted COTELCO's application and ordered the transfer of MAGELCO's assets in the PPALMA area to COTELCO upon payment of just compensation.
- Aggrieved, MAGELCO filed a Petition for Review to the Court of Appeals (CA) to challenge the said NEA Decision dated 18 September 2003.
- The CA issued a Decision (CA Decision) affirming NEA Decision dated 18 September 2003 with modification, deleting NEA's order as to the payment of just compensation and referred the disposition of assets to the NEC for further proceedings.
- The CA Decision became final on 29 January 2008. Consequently, on 29 January 2008, COTELCO started exercising its authority to distribute electricity in the PPALMA area.
- On 26 September 2008, the NEA, citing the CA Decision, issued a letter-directive declaring, among others, that the PPALMA area is under the franchise coverage of COTELCO.
- In 2009, the Honorable Commission issued Resolution No. 20, Series of 2009, adopting the Rules for Setting the Electric Cooperatives' Wheeling Rates dated 23 September 2009 (RSEC-WR). The RSEC-WR seeks to develop a regulatory regime that encourages efficiency in the operations of Electric Cooperatives (ECs) and provides incentives for their good performance, from regulatory perspective, the framework seeks to develop a regime that eases regulatory burden and can be easily implemented and monitored.
- Under RSEC-WR, COTELCO was categorized under Group E. Considering that the PPALMA area was then under COTELCO, the rates for PPALMA area's member-consumer-owners (MCOs) should have been the same as for all other COTELCO MCOs.
- Notwithstanding that PPALMA area was deemed to be within the coverage of COTELCO's franchise area as declared by NEA, however COTELCO-PPALMA was not allowed to benefit from and implement the new approved rates for COTELCO under the RSEC-WR.
- Consequently, COTELCO-PPALMA was constrained to continue using the old approved unbundled rates based on the old Uniform Filing Requirements (UFR) of the Honorable Commission.
- Under Section 2.3 of RSEC-WR, the characteristics of ECs in Group E are as follows: (i) customer consumption (MWH per year) is 1 to 2; and (ii) number of customers is 50,000 to 100,000.
- At present, and even at a time when COTELCO-PPALMA was granted a separate franchise under R.A. No. 11322, its consumption and customer profiles fall within the above thresholds, which the Honorable Commission set for Group E ECs. Its customer consumption (MWH per year) is 1.63; while the number of its customer is 60,314. Attached as Annex "A" is a copy of COTELCO-PPALMA's RSEC-WR Group Characteristics Year 2020 Data. Copies of COTELCO-PPALMA's power bills and available MFSRs for the years 2018 to 2020 are hereto attached as Annexes "B", series to "C", series, respectively.
- Thus, pursuant to ERC Resolution No. 20, Series of 2009 and the RSEC-WR, COTELCO-PPALMA should be categorized under Group E as well. Doing so will help alleviate its dire financial situation brought about by the implementation of the old UFR unbundled rates, fixed some decades ago and thus are no longer cost-reflective. Doing so will serve the objectives of the RSEC-WR to encourage efficiency in COTELCO-PPALMA's operations and provide incentives to improve its performance and quality of service to its MCOs. Doing so will also address the inequities present in the current rates being implemented by COTELCO-PPALMA vis-à-vis all other ECs belonging to Group E.
- On 12 March 2021, COTELCO-PPALMA's Board of Directors passed Board Resolution No. 20-2021, attached heron as Annex "D", approved and allowed, among others, the filing before the ERC of the instant Application and imploring the ERC to allow the implementation the new rate setting methodology embodied in the RSEC-WR.
- As a Group E EC, COTELCO-PPALMA's Operating Revenue Requirement (ORR) per kWh is PhP2.07.
- As a Group E EC also, COTELCO-PPALMA is mandated to implement a new customer segmentation under RSEC-WR, as follows:

Table 1. Existing Customer Class and New Customer Class

| EXISTING CUSTOMERS | NEW CUSTOMER SEGMENTATION |
|--------------------|---------------------------|
| Residential | Residential Customers |
| Commercial | Low Voltage Customers |
| Industrial | |
| Public Building | High Voltage Customers |
| Streetlights | |
| Industrial | |

21. After functionalizing and allocating the above ORR and using the new customer class, COTELCO-PPALMA's initial Distribution, Supply and Metering (DSM) rate cap are, as follows:

Table 2. Initial DSM Rate Caps per Customer Class

| GROUP E | RESIDENTIAL | | LOW VOLTAGE | | HIGHER VOLTAGE | |
|--------------|-------------|---------------|-------------|--------------|----------------|--------------|
| | PhP/kWh | PhP/Meter/Mo. | PhP/kWh | PhP/Cust/Mo. | PhP/kWh | PhP/Cust/Mo. |
| Distribution | 0.5782 | - | 0.7595 | - | 219.6807 | - |
| Supply | 0.6001 | - | 42.9203 | - | 42.9203 | - |
| Metering | 0.4326 | 5.0000 | - | 35.9431 | - | 35.9431 |

22. As Group E EC, COTELCO-PPALMA is likewise authorized to collect a Member's Contribution for Capital Expenditure (MCC) Rate in the amount of PhP0.2904.

23. Considering the above-mentioned rates, if granted, COTELCO-PPALMA's rate caps shall be, as follows: 1) DSM - PhP1.61; and 2) MCC - PhP0.2904.

Table 3. Initial DSM Rate Caps and MCC per Customer Class

| GROUP E | RESIDENTIAL | | LOW VOLTAGE | | HIGHER VOLTAGE | |
|--------------|-------------|---------------|-------------|--------------|----------------|--------------|
| | PhP/kWh | PhP/Meter/Mo. | PhP/kWh | PhP/Cust/Mo. | PhP/kWh | PhP/Cust/Mo. |
| Distribution | 0.5782 | - | 0.7595 | - | 219.6807 | - |
| Supply | 0.6001 | - | 42.9203 | - | 42.9203 | - |
| Metering | 0.4326 | 5.0000 | - | 35.9431 | - | 35.9431 |

| GROUP E | RESIDENTIAL | | LOW VOLTAGE | | HIGHER VOLTAGE | |
|---------|-------------|---------------|-------------|--------------|----------------|--------------|
| | PhP/kWh | PhP/Meter/Mo. | PhP/kWh | PhP/Cust/Mo. | PhP/kWh | PhP/Cust/Mo. |
| MCC | 0.2904 | - | 0.2904 | - | 0.2904 | - |

24. COTELCO-PPALMA intends to move the rate caps during the transition period as follows:

Table IV. Proposed Transition Rates

| PARTICULARS | Unit/s | Rates Billed | | | |
|--------------------------------|---------------|--------------|---------------------|-----------------|-------------------|
| | | Current | Start of Transition | End of Year one | End of Transition |
| Percentage Increase | | 1.0000 | 0.3333 | 0.3333 | 0.3333 |
| RESIDENTIAL | | | | | |
| Cust. Type: Residential | | | | | |
| Distribution | PhP/kWh | 1.1831 | 0.9815 | 0.7798 | 0.5782 |
| Supply | PhP/kWh | 0.5833 | 0.5889 | 0.5945 | 0.6001 |
| Metering | PhP/Meter/Mo. | 5.0000 | 5.0000 | 5.0000 | 5.0000 |
| Metering | PhP/kWh | 0.2455 | 0.3079 | 0.3702 | 0.4326 |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| LOW VOLTAGE | | | | | |
| Cust. Type: Commercial | | | | | |
| Distribution | PhP/kWh | 0.6098 | 0.6597 | 0.7096 | 0.7595 |
| Distribution | PhP/kWh | - | - | - | - |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/Mo. | 37.9100 | 39.5801 | 41.2502 | 42.9203 |
| Metering | PhP/Meter/Mo. | 33.8400 | 34.5410 | 35.2420 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| Industrial | | | | | |
| Distribution | PhP/kWh | 0.1368 | 0.3444 | 0.5519 | 0.7595 |
| Distribution | PhP/kWh | 18.7000 | 12.4667 | 6.2333 | - |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/Mo. | 43.7000 | 43.4401 | 43.1802 | 42.9203 |
| Metering | PhP/Meter/Mo. | 550.7700 | 379.1610 | 207.5520 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| Public Building | | | | | |
| Distribution | PhP/kWh | 0.5335 | 0.6088 | 0.6842 | 0.7595 |
| Distribution | PhP/kWh | - | - | - | - |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/Mo. | 38.1900 | 39.7668 | 41.3435 | 42.9203 |
| Metering | PhP/Meter/Mo. | 20.8100 | 25.8544 | 30.8987 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| Streetlights | | | | | |

| PARTICULARS | Unit/s | Rates Billed | | | |
|-------------------------------|--------------|--------------|---------------------|-----------------|-------------------|
| | | Current | Start of Transition | End of Year one | End of Transition |
| Distribution | PhP/kWh | 2.5715 | 1.9675 | 1.3635 | 0.7595 |
| Distribution | PhP/kWh | - | - | - | - |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/mo | 37.5000 | 39.3068 | 41.1135 | 42.9203 |
| Metering | PhP/meter/mo | - | 11.9810 | 23.9620 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| HIGHER VOLTAGE | | | | | |
| Cust. Type: Industrial | | | | | |
| Distribution | PhP/kWh | 0.1368 | 0.0912 | 0.0456 | - |
| Distribution | PhP/kWh | 18.7000 | 85.6936 | 152.6871 | 219.6807 |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/mo | 43.7000 | 43.4401 | 43.1802 | 42.9203 |
| Metering | PhP/Meter/Mo | 550.7700 | 379.1610 | 207.5520 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| Commercial | | | | | |
| Distribution | PhP/kWh | 0.6098 | 0.4065 | 0.2033 | - |
| Distribution | PhP/kWh | - | 73.2269 | 146.4538 | 219.6807 |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/mo | 37.9100 | 39.5801 | 41.2502 | 42.9203 |
| Metering | PhP/Meter/mo | 33.8400 | 34.5410 | 35.2420 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |
| Public Building | | | | | |
| Distribution | PhP/kWh | 0.5335 | 0.3557 | 0.1778 | - |
| Distribution | PhP/kWh | - | 73.2269 | 146.4538 | 219.6807 |
| Supply | PhP/kWh | - | - | - | - |
| Supply | PhP/Cust/mo | 38.1900 | 39.7668 | 41.3435 | 42.9203 |
| Metering | PhP/Meter/mo | 20.8100 | 25.8544 | 30.8987 | 35.9431 |
| Metering | PhP/kWh | - | - | - | - |
| MCC | PhP/kWh | - | 0.2904 | 0.2904 | 0.2904 |

25. Upon reevaluation of its actual operating and maintenance expense including payroll, COTELCO-PPALMA has determined that the actual costs per customer class are higher than the Initial Tariff Cap or existing rates being implemented by COTELCO-PPALMA as decreed by Honorable Commission, hence the need to adjust the existing rates subject to the cap. COTELCO-PPALMA believes that the implementation of the proposed rates would be to the best interest of its MCOs. A copy of the actual operating and maintenance expense (including payroll) and the Computation of COTELCO PPALMA's Required Revenue Requirements is attached as Annex "E", hereto.

26. As stated above, COTELCO-PPALMA is currently imposing rates to its MCOs as prescribed under the UFR Requirements. Such rates, however, are no longer sufficient to cover COTELCO-PPALMA's revenue requirement, as evidenced by its Audited Financial Statements for the years 2016 to 2020, which are hereto attached as Annexes "F" to "I". In addition, copies of the Revised Rates, MCC Annual Reports for 2018 to 2021, and COTELCO-PPALMA's Profile are hereto attached as Annexes "G", "H", series, and "I", respectively.

APPLICATION FOR PROVISIONAL AUTHORITY

COTELCO-PPALMA re-pleads, by reference, all the foregoing allegations.

27. Pursuant to Rule 14 of the Revised Rules of Practice and Procedure of the Honorable Commission, COTELCO-PPALMA respectfully moves for the issuance of a provisional authority to implement the rates as provided for members of Group E ECs under the RSEC-WR.

28. Due to insufficiency of its collections based on the current rates being implemented, COTELCO-PPALMA is unable to employ enough manpower personnel to provide a more efficient and reliable electric service to its MCOs. Due to lack of funds also, COTELCO-PPALMA is forced to suspend and defer implementation of all its critical and other planned capital expenditure projects, which imperil their ability to provide continuous, safe, and reliable distribution service to its MCOs.

A copy of the Affidavit of Merit in Support of the Prayer for Provisional Authority is hereto attached as Annex "J", hereto.

29. The provisional and immediate implementation of the rates duly approved already for Group E ECs under RSEC-WR, where COTELCO-PPALMA rightfully belongs based on its total consumption and number of customers, is beneficial to all its MCOs as they will enjoy a more stable and reliable electric services at the lowest possible cost.

COMPLIANCE

30. Further, in compliance with the pre-filing requirement for the instant Application, COTELCO-PPALMA is submitting the following documents, which are being made integral parts hereof, to wit:

| Annex | Nature of Document |
|-------|--|
| "K" | Proof of service of the Application to the concerned Offices of the Mayor/Governor and Sangguniang Panlungsod/Panglalgawan |
| "L" | Newspaper where the Application was published |
| "M" | Affidavit of Publication |

PRAYER

WHEREFORE, COTELCO-PPALMA prays of this Honorable Commission, after due notice and hearing, that it be classified under Group E ECs, and to forthwith approve the new rate schedule for applicant pursuant to ERC Resolution No. 20, Series of 2009 and the RSEC-WR, as follows:

| TYPE OF CUSTOMERS | UNITS | PROPOSED RATES | | | |
|-------------------|---------------|----------------|--------|----------|---|
| | | Distribution | Supply | Metering | Members' Contribution for Capital Expenditure |
| RESIDENTIAL | PhP/kWh | 0.5782 | 0.6001 | 0.4326 | 0.2904 |
| | PhP/meter/mo. | - | - | 5.00 | - |
| LOW VOLTAGE | PhP/kWh | 0.7595 | - | - | 0.2904 |
| | PhP/cust/mo. | - | 42.92 | - | - |
| HIGHER VOLTAGE | PhP/meter/mo. | - | - | 35.94 | - |
| | PhP/kWh | - | - | - | 0.2904 |
| | PhP/kWh | 219.68 | - | - | - |
| | PhP/cust/mo. | - | 42.92 | - | - |
| | PhP/meter/mo. | - | - | 35.94 | - |

COTELCO-PPALMA further prays that it be given provisional authority to implement the said rates pending hearing and final evaluation of the Application by the Honorable Commission.

Other just and equitable reliefs are likewise prayed for.

The Commission has set the instant Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution 09, Series of 2020, dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):

| Date | Platform | Activity |
|--|-----------------|--|
| 05 August 2022 (Friday) at two o'clock in the afternoon (2:00 PM) | Microsoft Teams | Determination of compliance with the jurisdictional requirements and expository presentation |
| 12 August 2022 (Friday) at two o'clock in the afternoon (2:00 PM) | Microsoft Teams | Pre-trial Conference and presentation of evidence |

Accordingly, COTELCO-PPALMA is hereby directed to host the virtual hearing at COTELCO-PPALMA's principal office located at Municipality of Midsayap, Province of Cotabato as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, COTELCO-PPALMA shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- The petitioner's name, mailing address, and e-mail address;
- The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- The name, mailing address, and e-mail address of such person;
- A concise statement of the Opposition or Comment; and
- The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the Application on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, through legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant Application. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners FLORESINDA G. BALDO-DIGAL and MARKO ROMEO L. FUENTES, Energy Regulatory Commission, this 14th day of June 2022 in Pasig City.

AGNES VST DEVANADERA
 Chairperson and CEO

LS: BBB/HH/MCC



¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.
² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.