

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
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. 2009-108 RC**

**LEYTE III ELECTRIC  
COOPERATIVE, INC.  
(LEYECO III),**  
*Applicant.*

**Promulgated:**  
January 13, 2022

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**DECISION**

Before the Commission for resolution is the *Amended Application with Manifestation* (Amended Application) filed by Leyte III Electric Cooperative, Inc. (LEYECO III) on 20 November 2009, for the approval of the rates adjustment pursuant to the new Rate Setting Methodology as provided under Resolution No. 20, Series of 2009 or the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR),<sup>1</sup> with prayer for provisional authority.

**FACTUAL ANTECEDENTS**

The allegations of LEYECO III in its *Amended Application* are hereby quoted as follows:

1. On November 6, 2009, LEYECO III filed its Application in the instant case.
2. Pending the docketing of said application however, the Honorable Commission made some amendments on the

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<sup>1</sup> Energy Regulatory Commission, A Resolution Adopting the Rules for Setting the Electric Cooperatives' Wheeling Rates, Resolution No. 20, Series of 2009 [RSEC-WR] (23 September 2009).

models/templates of the Tables on Initial DSM Rate Caps Per Customer Class (Table 2), Initial DSM Rate Caps and MCC Per Customer Class. Proposed Transition Rates (Table 3) and PRAYER portion of the application; Customer Class (Table 2), Initial DSM Rate Caps and MCC Per Customer Class, Proposed Transition Rates (Table 3) and PRAYER portion of the application;

3. Hence, the filing of this Amended Application incorporating the amendments, and LEYECO III hereby alleges:
4. LEYECO 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 Brgy. Roque, Tunga, Leyte, where it may be served with summons and other legal processes, represented in this instance by its General Manager-OIC, LERMA G. ESQUIBEL, of legal age, Filipino and with office address also at the LEYECO III Office.
5. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the cities/municipalities of the Province of LEYTE, namely: Alang-alang, Barugo, Capoocan, Carigara, Jaro, Pastrana, San Miguel, Sta. Fe and Tunga;
6. 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;
7. 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;
8. 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;
9. LEYECO III participated in the above-mentioned public consultations and it submitted data/documents require by the ERC during the drafting of the said Rules;
10. Said regulatory framework is now embodied in the Rules for Setting the Electric Cooperatives' Wheeling Rates (RSEC-WR);
11. 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;

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12. On May 2, 2009, LEYECO III Board of Directors passed Board Resolution No. 101-2009, imploring upon the ERC to implement the new rate setting methodology embodied in the RSEC-WR;
13. After holding another round of public consultations nationwide, particularly in the localities wherein the electric cooperatives operate, the ERC issued the final RSEC-WR on September 22, 2009 which became effective fifteen (15) days following its publication in the Manila Bulletin on September 24, 2009;
14. Under the RSEC-WR, LEYECO III is categorized under Group "A"
15. As a Group "A" EC, LEYECO III's Operating Revenue Requirement (ORR) per kWh as determined based on the methodology embodied in the RSEC-WR, is PhP2.4200;
16. Further, LEYECO III 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
Commercial	Low Voltage Customers
Industrial	
Public Building	
Street Lights	
Large Load	Higher Voltage Customers

17. After functionalizing and allocating its ORR and using the new customer class, LEYECO III'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/kW	PhP/Cust/Mo	PhP/Meter/Mo
Distribution	1.0557		1.1577			302.51		
Supply	1.0282			42.82			42.82	
Metering	0.5792	5.0000			29.12			29.12

18. As a Group "A" EC, LEYECO III is also authorized to collect a Member's Contribution for Capital Expenditure Rate in the amount of PhP0.5324/kWh;
19. Considering the above-mentioned rates, LEYECO III's rate caps would be as follows: 1.) DSM – PhP2.4200; and 2.) MCC – PhP0.5324;

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INITIAL DSM RATE CAPS AND MCC PER CUSTOMER CLASS

Group A	RESIDENTIAL		LOW VOLTAGE			PhP/kWh	HIGHER VOLTAGE		
	PhP/kWh	PhP/Meter/Mo.	Php/kWh	PhP/Cust/Mo.	PhP/Meter/Mo.		PhP/kWh	PhP/Cust/Mo.	PhP/Meter/Mo.
Distribution	1.0557						302.51		
Supply	1.0282			42.82				42.82	
Metering	0.5792	5.0000			29.12				29.12
Members Contribution for Capital Expenditure			0.5324			0.5324			

20. LEYECO III intends to move the rate caps during the transition period as follows:

Table 3. Proposed Transition Rates

		Rates Billed			
		RESIDENTIAL			
		Current	Start of Transition	End of Year One	End of Transition
Percentage Increase		1.0000	0.3333	0.3333	0.3333
Cust. Type: Residential					
Distribution	PhP/kWh	1.1013	1.0861	1.0709	1.0557
Supply	PhP/kWh	0.9991	1.0088	1.0185	1.0282
Metering	PhP/Meter/mo	5.0000	5.0000	5.0000	5.0000
Metering	PhP/kWh	0.6032	0.5952	0.5872	0.5792
Members Contribution for Capital Expenditure	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condo	PhP/kWh	(0.2855)			
LOW VOLTAGE					
		Current	Start of Transition	End of Year One	End of Transition
Cust. Type: Commercial					
Distribution	PhP/kWh	1.5403	1.4128	1.2852	1.1577
Distribution	PhP/kW				
Supply	PhP/kWh				
Supply	PhP/Cust/mo	47.7800	46.1272	44.4744	42.8215
Metering	PhP/Meter/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/kWh		-	-	
Members Contribution for Capital Expenditure	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condo	PhP/kWh	(0.2146)			
Final Loan Condo	PhP/Cust/mo	(6.2352)			
Cust. Type: Industrial					
Distribution	Php/kWh	1.6374	1.4775	1.3176	1.1577
Distribution	Php/kW	16.5000	11.0000	5.5000	
Supply	PhP/kWh				
Supply	PhP/Cust/mo	47.7800	46.1272	44.4744	42.8215
Metering	PhP/Meter/mo	47.3700	41.2874	35.2047	29.1221
Metering	PhP/kWh		-		
Members Contribution for Capital Expenditure	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condo	PhP/kWh	(0.2501)			
Final Loan Condo	PhP/Cust/mo	(9.3267)			
Cust. Type: Public Bidding					
Distribution	Php/kWh	1.5419	1.4138	1.2858	1.1577
Distribution	Php/kW				
Supply	PhP/kWh	47.7800	46.1272	44.4744	42.8215
Supply	PhP/Cust/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/Meter/mo				
Metering	PhP/kWh				

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Members Contribution for Capital Expenditure	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condo	PhP/kWh	(0.2149)			
Final Loan Condo	PhP/Cust/mo	(6.2351)			
HIGHER VOLTAGE					
		Current	Start of Transition	End of Year One	End of Transition
Cust. Type: Street Lights					
Distribution	PhP/kWh	0.9101	0.9926	1.0752	1.1577
Distribution	PhP/kW				
Supply	PhP/kWh		-	-	
Supply	PhP/Cust/mo	39.8800	40.8605	41.8410	42.8215
Metering	PhP/Meter/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/kWh				
Members Contribution for Capital Expenditure	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condo	PhP/kWh	(0.1833)			
Final Loan Condo	PhP/Cust/mo	(3.7409)			

21. LEYECO III submits that the implementation of the proposed rates would work to the best interest of its consumers as it would be able to meet the required revenue requirement needed by the cooperative to be able to deliver a reliable and efficient service to its member-consumers. Further, LEYECO III has chosen to implement the proposed rates in 3 installments equivalent to 1/3 per year for DSM and out right implementation for MCC at the start of the transition period to enable LEYECO III to meet its needed funding requirement for its operation, maintenance, and capital expenditures.
  
22. LEYECO III has duly complied with the pre-filing requirements by furnishing copies of the Application together with its supporting annexes and accompanying documents to the Sangguniang Panlalawigan of Leyte and the Sangguniang Bayan of Tunga, and published the Application in its entirety in the newspaper of general circulation in the Province of Leyte.
  
23. 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 Sangguniangs;
  - e. Completed RSEC-WR UFR Model;
  - f. Completed Transition Model;
  - 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 LEYECO III, as follows:

TYPE OF CUSTOMERS	UNITS	PROPOSED RATE			
		Distribution	Supply	Metering	Members' Contribution for Capital Expenditures
RESIDENTIAL	PhP/kWh	1.0557	1.0282	0.5792	0.5324
	PhP/cust/Mo.				
	PhP/meter/Mo.			5.00	
LOW VOLTAGE	PhP/kWh	1.1577			0.5324
	PhP/Cust/Mo.		42.82		
	PhP/meter/Mo.			29.12	
HIGHER VOLTAGE	PhP/kWh				0.5324
	PhP/kW	302.51			
	PhP/Cust/Mo.		42.82		
	PhP/meter/Mo.			29.12	

It is further prayed, that 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.

**Proceedings Conducted by the Commission**

LEYECO III filed its original *Application* dated 22 October 2009 on 06 November 2009.

However, the Commission, in its *Order* dated 11 November 2009, directed various Electric Cooperatives (ECs) including LEYECO III to file their respective amended applications to reflect the following:

1. The rates for Metering of the Low Voltage and Higher Voltage customer segmentation as shown in Table 2 of the Applications, including the sub-table must be reflected in peso per meter per month (PhP/Meter/Mo.);
2. The components of the rates for the different customer classes, such as Distribution, Supply, Metering, Member's Contribution for Capital Expenditures (MCC) and Final Loan Condonation as shown in Table 3 thereof, must also be

reflected in peso per kilowatt hour (PhP/kWh), or peso per kilowatt (PhP/kW), or peso per customer per month (PhP/Cust./Mo.), or peso per meter per month (PhP/Meter/Mo.); and

3. The new rate schedule as prayed must also reflect the unit peso per meter per month (PhP/Meter/Mo.) for the different types of customers.

On 17 November 2009, the National Association of Electricity Consumers for Reforms, Inc. (NASECORE) filed an *Omnibus Petition for Intervention* dated 16 November 2009 (Petition for Intervention) to the applications of various ECs, including that of LEYECO III.

On 20 November 2009, LEYECO III filed the instant *Amended Application*.

In its *Order* dated 07 December 2009, issued on 08 December 2009, the Commission took note of NASECORE's *Petition for Intervention* and granted its request to be furnished with copies of the applications with annexes of the various ECs.

Consequently, on 16 December 2009, LEYECO III filed its *Motion for Time* praying that it be given an additional ten (10) days from 18 December 2009 or up to 28 December 2009 within which to comply with the *Order* dated 07 December 2009.

On 18 January 2010, LEYECO III filed its *Opposition/Comment (Re: Omnibus Petition for Intervention dated 16 November 2009)* dated 17 January 2010.

On 22 January 2010, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 11 January 2010, setting the case for *Jurisdictional Hearing* on 08 February 2010.

In the same *Order*, the Commission provisionally authorized LEYECO III to implement its proposed Revised Rate Schedule effective on its January 2010 billing period, *to wit*:

WHEREFORE, the foregoing premises considered, the Commission hereby PROVISIONALLY AUTHORIZES LEYECO III to implement its proposed Revised Rate Schedule with modification. In the event that the rate adjustment provisionally authorized herein is found to be excessive or insufficient after final evaluation, the

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amount corresponding to the difference shall be accordingly refunded or collected in a manner to be determined by the Commission.

Accordingly, LEYECO III is hereby directed to adopt the provisionally approved Revised Rate Schedule to be implemented effective its January 2010 billing period:

**Start of Transition: January 2010**

New Customer Classes		Residential	LOW VOLTAGE			
Current Customer Class		Residential	Commercial	Industrial	Street Lights	Public Bidding
Distribution Charges:						
Demand Charge	PhP/Kw	-	-	11.00	-	-
Distribution System Charge	PhP/kWh	1.0861	1.4128	1.4775	1.4138	0.9926
Supply Charges:						
Retail Customer Charge	PhP/cust/mo		46.13	46.13	46.13	40.86
Supply System Charge	PhP/kWh	1.0088	-	-	-	-
Metering Charges:						
Retail Customer Charge	PhP/meter/mo	5.0000	29.44	41.29	29.44	29.44
Metering System Charge	PhP/kWh	0.5952	-	-	-	-
MCC	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

**End of Year One: January 2011**

New Customer Classes		Residential	LOW VOLTAGE			
Current Customer Class		Residential	Commercial	Industrial	Street Lights	Public Bidding
Distribution Charges:						
Demand Charge	PhP/Kw			5.50		
Distribution System Charge	PhP/kWh	1.0709	1.2852	1.3176	1.2858	1.0752
Supply Charges:						
Retail Customer Charge	PhP/cust/mo		44.47	44.47	44.47	41.84
Supply System Charge	PhP/kWh	1.0185				
Metering Charges:						
Retail Customer Charge	PhP/meter/mo	5.0000	29.28	35.20	29.28	29.28
Metering System Charge	PhP/kWh	0.5872				
MCC	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

**End of Transition: January 2012**

New Customer Classes		Residential	LOW VOLTAGE			
Current Customer Class		Residential	Commercial	Industrial	Street Lights	Public Bidding
Distribution Charges:						
Demand Charge	PhP/Kw					
Distribution System Charge	PhP/kWh	1.0557	1.1577	1.1577	1.1577	1.1577
Supply Charges:						
Retail Customer Charge	PhP/cust/mo		42.82	42.82	42.82	42.82
Supply System Charge	PhP/kWh	1.0282				
Metering Charges:						
Retail Customer Charge	PhP/meter/mo	5.0000	29.12	29.12	29.12	29.12
Metering System Charge	PhP/kWh	0.5792	-	-	-	-
MCC	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

SO ORDERED.

During the 08 February 2010 hearing, both LEYECO III and NASECORE appeared. LEYECO III presented its proof of compliance with the Commission's posting and publication requirements. After careful perusal of the submissions of LEYECO III, the Commission determined that it had complied with the publication and posting



requirements pursuant to the *Order* dated 11 January 2010, subject to the submission of the remaining proofs of compliance, as directed. Thus, the Commission declared that it acquired jurisdiction over the instant case.

LEYECO III then moved for the declaration of general default in light of the absence of any intervenor or oppositor, except for NASECORE which filed its *Petition for Intervention* within the reglementary period. Finding the said motion of LEYECO III to be meritorious, the Commission granted the same. Thereafter, the hearing was adjourned.

On 10 March 2010, LEYECO III filed its *Compliance* dated 04 March 2010 and attached therewith the remaining jurisdictional requirements, as directed during the 08 February 2010 hearing.

On 19 March 2010, LEYECO III filed its *Manifestation (Recovery of January 2010 Differential Billing)* dated 18 March 2010.

On 18 May 2010, the Commission issued an *Order* dated 12 May 2010 taking note of the *Opposition/Comment (Re: Omnibus Petition for Intervention dated 16 November 2009)* filed by LEYECO III. In the same *Order*, NASECORE was directed to file its comment on the submission of LEYECO III within ten (10) days from receipt thereof. Failure of NASECORE to comply therewith shall be deemed a waiver of its right to do so, and thereafter, its *Petition for Intervention* of NASECORE shall be submitted for resolution of the Commission.

On 14 July 2010, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 12 July 2010, setting the instant case for another hearing for the conduct of the expository presentation, pre-trial conference, and evidentiary hearing on 20 July 2010.

On 15 July 2010, LEYECO III filed its *Pre-trial Brief* dated 01 July 2010 with attached *Sworn Statement of Ms. Lerma G. Esquibel* dated 15 July 2010.

During the 20 July 2010 hearing, only LEYECO III appeared. NASECORE failed to appear despite due notice. LEYECO III presented its proof of compliance with the posting and publication requirements pursuant to the Commission's *Order* dated 12 July 2010. Thereafter, the Commission determined that LEYECO III had complied with the jurisdictional requirements.

The hearing then proceeded as scheduled for the conduct of the expository presentation, pre-trial conference, and presentation of evidence by LEYECO III. At the end of the hearing, the Commission directed LEYECO III to submit its formal offer of evidence.

On 11 October 2010, LEYECO III filed its *Formal Offer of Evidence* (FOE) dated 04 October 2010.

On 20 October 2010, the Commission issued an *Order* dated 18 October 2010 granting the *Petition for Intervention* filed by NASECORE and consequently setting another hearing on 05 November 2010 for the presentation of evidence by NASECORE.

On 03 November 2010, NASECORE filed an *Omnibus Motion for Comprehensive Regulatory Audit* with a prayer that a regulatory audit be conducted among all ECs, which have been granted a provisional increase in their rates, to determine the reasonableness of their current rates, and to suspend the resolution of the applications pending completion of the regulatory audit.

During the 05 November 2010 scheduled hearing for the presentation of evidence by NASECORE, only LEYECO III appeared. Hence, LEYECO III moved that NASECORE be declared to have waived its right to present its evidence for failure to appear despite due notice. Finding the said motion meritorious, the Commission granted LEYECO III's motion. Accordingly, the instant case was deemed submitted for resolution.

On 08 November 2010, NASECORE filed a *Motion to Correct, Strike Out and Replace* dated 05 November 2010 with a prayer that the Commission correct item 5 of page 5 and strike out some portions in item 6 found on page 6 of its *Omnibus Motion for Comprehensive Regulatory Audit* and replace the same with the attached pages 5 and 6.

On 26 November 2010, LEYECO III filed its *Compliance* dated 02 November 2010 (furnishing NASECORE with the requested documents) pursuant to the Commission's *Order* dated 08 December 2009.

On 12 May 2011, NASECORE filed an *Omnibus Motion for Production of Documents* dated 11 May 2011, requesting for relevant data regarding the Members' Contributions for Capital Expenditures (MCC).

On 02 June 2011, the Commission issued an *Order* dated 30 May 2011, partially granting NASECORE's *Omnibus Motion for Production of Documents* filed on 12 May 2011. In the same *Order*, LEYECO III was directed to submit, within fifteen (15) days from receipt thereof, and to furnish NASECORE with copies of the requested documents.

On 18 October 2011, the Commission issued an *Order and Record of Proceedings* dated 17 October 2011 where the instant case was submitted for resolution for failure of NASECORE to appear during the 05 November 2010 hearing despite due notice.

On 16 April 2018, the Commission issued an *Order* dated 20 March 2018, denying NASECORE's *Omnibus Motion for Comprehensive Regulatory Audit*.

Having found the exhibits contained in LEYECO III's *FOE* to be relevant and material in the evaluation of the *Amended Application*, the Commission admitted the same and declared the instant case submitted for resolution.

### **ISSUE**

The issue for the Commission's resolution is whether or not LEYECO III's implemented rates pursuant to the provisionally approved Revised Rate Schedule in the *Order* dated 11 January 2010, should be confirmed.

### **THE COMMISSION'S RULING**

After due deliberation and thorough evaluation of all the evidence presented and all the information gathered by the Commission pursuant to its regulatory powers, the Commission resolves to confirm the implemented rates of LEYECO III pursuant to the *Order* dated 11 January 2010 and hereby authorizes LEYECO III to implement the same until a new rate is determined by the Commission.

### **DISCUSSION**

The Commission noted that the costs of electric service have significantly increased from the time that the rates of the ECs were determined by the Commission based on the 2000 test year.

Consequently, the Commission saw the need to establish a new rate-setting methodology for on-grid ECs because their previous rates, under the cash flow rate-setting methodology, were no longer responsive to the costs of providing electric service to the consumers.

Thus, on 23 September 2009, the Commission promulgated Resolution No. 20, Series of 2009,<sup>2</sup> or the RSEC-WR, which established a new rate-setting methodology for on-grid ECs.

The regulatory framework embodied in the RSEC-WR sought to encourage the ECs to be financially sufficient, efficient, and responsive to its member-consumers. Likewise, the RSEC-WR sought to address the regulatory lag in the cash flow rate-setting methodology.

### **I. Classification of ECs**

The RSEC-WR classified the on-grid ECs into seven (7) groups based on the characteristics or variables that have the most impact on their total operating distribution costs and operating distribution costs per kWh, namely: (1) size (number of customers); and (2) consumption (MWh sales per customer). In making the classification, the Commission also evaluated the data submitted by the ECs, particularly, their respective operating distribution costs<sup>3</sup> for the years covering 2001 to 2006 and the average adjusted unbundled rates.<sup>4</sup>

The results of the analysis made by the Commission based on the characteristics used in the classification is shown in Table 1.

**Table 1. Grouping and Characteristics of ECs<sup>5</sup>**

<b>GROUP</b>	<b>NO. OF ECs</b>	<b>Group Characteristics</b>	
		<b>Customer Consumption (MWh per year)</b>	<b>Size (No. of Customers, in Thousand)</b>
<b>A</b>	<b>11</b>	<b>&lt;1</b>	<b>10 to 25</b>
<b>B</b>	<b>16</b>	<b>&lt;1</b>	<b>25 to 50</b>
<b>C</b>	<b>5</b>	<b>&lt;1</b>	<b>50 to 100</b>
<b>D</b>	<b>17</b>	<b>1 to 2</b>	<b>10 to 50</b>
<b>E</b>	<b>28</b>	<b>1 to 2</b>	<b>50 to 100</b>
<b>F</b>	<b>15</b>	<b>1 to 3</b>	<b>20 to 150</b>
<b>G</b>	<b>6</b>	<b>3 to 5</b>	<b>30 to 150</b>

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<sup>2</sup> *supra* note 1.

<sup>3</sup> Operations and Maintenance Expenses, Customer Expenses, and General and Administrative Expenses.

<sup>4</sup> Reinvestment Fund and Debt Service.

<sup>5</sup> *supra* note 1, Article 2.3, Table 4.

Based on the data submitted by LEYECO III, its customer consumption is less than 1 MWh per year; likewise, the number of LEYECO III's customers is within the range of 10,000 to 25,000. Thus, based on the data in Table 1, LEYECO III is considered as part of the Group "A" ECs.

## **II. Development of the Initial Tariff**

Before the implementation of the Revised Rate Schedule provided in the provisional authority granted by the Commission in the *Order* dated 11 January 2010, LEYECO III's tariff structure consisted of the Distribution, Supply, and Metering (DSM) Charges, which were determined using its operating costs (operation and maintenance expenses and payroll) and capital costs (reinvestment fund and debt service).

Under the RSEC-WR, there will be a transition from the tariff of ECs under the cash flow rate-setting methodology towards the Initial Tariff. In developing the Initial Tariff, the operating and capital costs shall be unbundled wherein the DSM Charges shall represent only the operating costs. On the other hand, a separate charge called the Members' Contribution for Capital Expenditures (MCC) shall represent the EC's debt service and reinvestment fund to cover for its capital expenditure (CAPEX) requirements. Thus, the Initial Tariff shall consist of the unbundled DSM Charges and MCC.

A detailed discussion of the DSM Charges and MCC components of the Initial Tariff is provided below.

### **a. Operating Cost**

In the determination of the Initial Tariff for each group, the operating cost per kWh as of the year 2000 of the DSM of each EC was adjusted to the year 2008 level using the average rate of increase in the minimum wages for the period covering 2001 to 2008 or a wage index of 5.12%. The wage index was used in the adjustment since labor cost accounted for seventy percent (70%) of the operating cost.

The calculated costs were then reduced by five percent (5%) to account for Other Revenue Income (ORI) which was included as part of the revenue requirement under the cash flow methodology.

Taking into account the foregoing values in determining the appropriate operating cost for each EC, the Commission simulated different options, such as the 2006 Median, 2006 70<sup>th</sup> percentile, and 2008 Median. After a careful study, the Commission set the Operating Revenue Requirement per kWh at the 2008 Median of the ECs' operating costs, as shown in Table 2.

**Table 2. Operating Cost<sup>6</sup>**

<b>Group</b>	<b>2008 Median Level</b>
A	2.4200
B	1.8200
C	1.6800
D	1.1400
E	1.3200
F	0.9900
G	0.6900

**b. MCC, now the Reinvestment Fund for Sustainable Capital Expenditures (RFSC)<sup>7</sup>**

The ECs' previous unbundled rate includes a reinvestment fund provision calculated at five percent (5%) of its unbundled retail rate, inclusive of generation, transmission, and distribution charges, as part of their Rate Unbundling Decision.

After reviewing the financial submissions of the ECs, the Commission found that the reinvestment fund, at an average, translates to twenty-two percent (22%) of the ECs' operation and maintenance expenses. Hence, the MCC was set at twenty-two percent (22%) of the respective Group's 2008 Median operating costs per kwh.

Similar with the provision on reinvestment fund, the MCC was envisioned to fund the amortization or debt service of an EC's indebtedness associated with the expansion, rehabilitation, or upgrading of its existing electric power system in accordance with its Commission-approved CAPEX plan.

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<sup>6</sup> *supra* note 51, Article 4.1 (f).

<sup>7</sup> On 06 July 2011, the Commission issued Resolution No. 14, Series of 2011, entitled, A Resolution Modifying the Terms Members' Contribution for Capital Expenditures (MCC) to Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and MCC – Real Property Tax (RPT) to Provision for RPT as Provided in the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR).

The appropriate level of MCC rate cap was set for each group based on the foregoing, as shown in Table 3.

**Table 3. MCC Rate Cap per Group<sup>8</sup>**

<b>Group</b>	<b>2008 Median Level (PhP/kWh)</b>	<b>MCC @ 22% (PhP/kWh)</b>
A	2.4200	0.5324
B	1.8200	0.4004
C	1.6800	0.3696
D	1.1400	0.2508
E	1.3200	0.2904
F	0.9900	0.2178
G	0.6900	0.1518

### **III. Development of New Customer Classes**

#### **a. Old Customer Classes**

Before the adoption of the RSEC-WR, the ECS were left to determine customer classes since the Commission, at that time, had yet to set a standard for such determination. Thus, the ECs determined their respective classes based on either the energy sales or the customer demand. The customer classes then included Residential, Commercial, Industrial, Public Buildings, and Street Lights.

The Commission, however, found that the said manner of determination was inconsistent with the cost-of-service principle because the customer classes were only identified, based on their energy or demand sales, regardless of the line voltage these customers were connected to, and the cost attributable to them or which they cause and impose upon the distribution system.

#### **b. New Customer Classes**

Through the RSEC-WR, the Commission determined a new set of customer classes based on the power service delivery voltage used in serving the customers. This new classification of customer classes is deemed fairer and reasonable by the

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<sup>8</sup> *supra* note 51, Article 5.3, Table 7.

Commission as it allows a justifiable allocation of costs and is consistent with cost-of-service principle, as shown in Table 4.

**Table 4. New Customer Classes<sup>9</sup>**

<b>NEW CUSTOMER SEGMENTATION</b>	
Residential Customers	End-users that are registered as Residential customers
Low Voltage Customers	End-users that are non-residential and connected to Low Voltage or LV (not exceeding 1 kV)
Higher Voltage Customers	End-users that are non-residential and connected to Medium Voltage or MV (exceeding 1 kV up to 34.5 kV) or High Voltage or HV (exceeding 34.5 kV)

Based on the foregoing, LEYECO III's new customer segmentation and the corresponding adjustments, as applicable, are as follows: (a) the Residential customers are still classified under the Residential customer segment; and (b) the existing Commercial, Industrial, Public Buildings and Streetlight customers that are connected to the low voltage distribution facilities have been reclassified under the Low Voltage customer segment.

The comparison between the new customer segmentation and old customer segmentation of LEYECO III is shown in Table 5.

**Table 5. Comparison of LEYECO III's Old and New Customer Segmentation<sup>10</sup>**

<b>OLD CUSTOMER SEGMENTATION</b>	<b>NEW CUSTOMER SEGMENTATION</b>
Residential	Residential
Commercial	Low Voltage
Industrial	
Public Buildings	
Street Lights	

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<sup>9</sup> *supra* note 51, Article 6.4.

<sup>10</sup> *ibid*, Table 8.



**IV. Determination of Initial DSM Rate Caps per EC Group**

In calculating the required average Operating Revenue Requirement (ORR) for each group, the operating cost in Table 2 above was multiplied by the average kWh sales of each group for the year 2007. The said revenue requirement was the basis for the calculation of the rate caps per customer class.

The ORR per group was then functionalized or assigned to DSM functions using the ratio of each group’s DSM costs to the total costs as determined in the Rate Unbundling Decision. The functionalized ORR was then classified and allocated into customer classes using the factors based on the cost causation principle. The allocation factors utilized were the group’s Non-Coincidental Peak (NCP) Demand Ratio for Distribution, and the Number of Customers Ratio for Supply and Metering. Thereafter, the allocated functionalized ORR of each customer class was translated into DSM rate caps, as shown in Table 6.

Based on the said methodology, the initial DSM rate caps calculated per group are as follows:

**Table 6. Initial DSM Rate Caps per EC Group<sup>11</sup>**

GROUP		Residential		Low Voltage		Higher Voltage	
		PhP/kWh	PhP/Meter/Mo.	PhP/kWh	PhP/Cust/Mo.	PhP/kW	PhP/Cust/Mo.
A	Distribution	1.0557		1.1577		302.51	
	Supply	1.0282			42.82		42.82
	Metering	0.5792	5.0000		29.12		29.12
B	Distribution	0.8449		0.9259		267.90	
	Supply	0.7732			40.15		40.15
	Metering	0.4569	5.0000		28.72		28.72
C	Distribution	0.7004		0.7493		213.96	
	Supply	0.7156			34.05		34.05
	Metering	0.5236	5.0000		29.91		29.91
D	Distribution	0.5143		0.5134		190.03	
	Supply	0.5828			41.61		41.61
	Metering	0.3669	5.0000		31.19		31.19
E	Distribution	0.5782		0.7595		219.68	
	Supply	0.6001			42.92		42.92
	Metering	0.4326	5.0000		35.94		35.94
F	Distribution	0.4613		0.4441		167.56	
	Supply	0.5376			46.60		46.60
	Metering	0.3205	5.0000		32.78		32.78
G	Distribution	0.2748		0.3748		118.55	
	Supply	0.4140			59.73		59.73
	Metering	0.3460	5.0000		54.92		54.92

<sup>11</sup> *supra* note 51, Article 4.5, Table 6.

**V. Amended Application - Proposed Transition Rate Schedule**

The Commission, in its *Order* dated 11 November 2009, directed various ECs including LEYECO III, to file their amended applications to reflect the appropriate units to be used for all items in the rate schedule, as follows:

- a. The rates for Metering of the Low Voltage and Higher Voltage customer segmentation as shown in Table 2 of the Applications, including the sub-table must be reflected in peso per meter per month (PhP/Meter/Mo.);
- b. The components of the rates for the different customer classes, such as Distribution, Supply, Metering, Member's Contribution for Capital Expenditures (MCC) and Final Loan Condonation as shown in Table 3 thereof, must also be reflected in peso per kilowatt hour (PhP/kWh), or peso per kilowatt (PhP/kW), or peso per customer per month (PhP/Cust./Mo.), or peso per meter per month (PhP/Meter/Mo.); and
- c. The new rate schedule as prayed must also reflect the unit peso per meter per month (PhP/Meter/Mo.) for the different types of customers.

Consequently, LEYECO III amended its application to reflect the directive of the Commission, as provided in Table 7:

**Table 7. Amended Proposed Transition Rate Schedule**

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
<b>RESIDENTIAL</b>					
<b>Customer Type: Residential</b>					
Distribution	PhP/kWh	1.1013	1.0861	1.0709	1.0557
Supply	PhP/kWh	0.9991	1.0088	1.0185	1.0282
Metering	PhP/Meter/mo	5.0000	5.0000	5.0000	5.0000
Metering	PhP/kWh	0.6032	0.5952	0.5872	0.5792
MCC	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condonation	PhP/kWh	(0.2855)			
<b>LOW VOLTAGE</b>					
<b>Customer Type: Commercial</b>					
Distribution	PhP/kWh	1.5403	1.4128	1.2852	1.1577
Distribution	PhP/kW				
Supply	PhP/kWh				
Supply	PhP/Cust/mo	47.7800	46.1272	44.4744	42.8215
Metering	PhP/Meter/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/kWh		-	-	

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MCC	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condonation	PhP/kWh	(0.2146)			
Final Loan Condonation	PhP/Cust/mo	(6.2352)			
<b>Customer Type: Industrial</b>					
Distribution	PhP/kWh	1.6374	1.4775	1.3176	1.1577
Distribution	PhP/kW	16.5000	11.0000	5.5000	
Supply	PhP/kWh				
Supply	PhP/Cust/mo	47.7800	46.1272	44.4744	42.8215
Metering	PhP/Meter/mo	47.3700	41.2874	35.2047	29.1221
Metering	PhP/kWh		-		
MCC	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condonation	PhP/kWh	(0.2501)			
Final Loan Condo	PhP/Cust/mo	(9.3267)			
<b>Customer Type: Public Bidding</b>					
Distribution	PhP/kWh	1.5419	1.4138	1.2858	1.1577
Distribution	PhP/kW				
Supply	PhP/kWh	47.7800	46.1272	44.4744	42.8215
Supply	PhP/Cust/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/Meter/mo				
Metering	PhP/kWh				
MCC	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condonation	PhP/kWh	(0.2149)			
Final Loan Condonation	PhP/Cust/mo	(6.2351)			
<b>HIGHER VOLTAGE</b>					
<b>Customer Type: Street Lights</b>					
Distribution	PhP/kWh	0.9101	0.9926	1.0752	1.1577
Distribution	PhP/kW				
Supply	PhP/kWh		-	-	
Supply	PhP/Cust/mo	39.8800	40.8605	41.8410	42.8215
Metering	PhP/Meter/mo	29.6000	29.4407	29.2814	29.1221
Metering	PhP/kWh				
MCC	PhP/kWh		0.5324	0.5324	0.5324
Final Loan Condonation	PhP/kWh	(0.1833)			
Final Loan Condonation	PhP/Cust/mo	(3.7409)			

In its *Amended Application*, LEYECO III proposed a one-third (1/3) phasing-in for its DSM Rates towards the Initial DSM Rate Caps, and a one-time implementation of its MCC rate so that it would have the necessary funds for its CAPEX projects.

## **VI. New Rates Phasing-In Period**

In granting the provisional authority to implement the Revised Rate Schedule provided in the *Order* dated 11 January 2010, the Commission looked into the over-all impact of the new rates and the corresponding number of years of phasing-in so that LEYECO III and its customers would have a smooth transition from the old rates to the initial rates under the RSEC-WR.

Table 8 shows the manner by which the Commission determined the phasing-in period of an EC.

**Table 8. Impact of the New Rates and the Corresponding Approved Phase-In Period**

<b>Range</b>	<b>Approved Phase-In</b>
Negative impact up to PhPo.25/kWh	One-time implementation
PhPo.26/kWh up to PhPo.60/kWh	50%-50% phase-in
Above PhPo.60/kWh	One third (1/3) phase-in
<b>Exception:</b> if the EC is entitled to any of the above phasing but prays for an adjustment lower than what it is entitled to	As prayed for

The determination of the phasing-in period was based on how the ECs would transition from the unbundled rate to the Initial DSM Rate Caps. A one-time phase-in means that the ECs would be allowed to implement the DSM Rate Caps on the immediately succeeding year, the 50%-50% phase-in would allow the ECs to transition to its DSM Rate Caps on the second year, and the one third (1/3) phase-in would allow the ECs to transition to its DSM Rate Caps on the third year.

Based on the Commission’s evaluation, the impact on the rates of LEYECO III is above PhPo.60/kWh.

The Commission, mindful of the interest of LEYECO III’s customers, approved a one-third (1/3) phase-in period, as proposed by LEYECO III. This is likewise in accordance with the Table 8 criteria.

The phasing in period of LEYECO III started only in its February 2010 billing with the application of the transition rates as shown in Table 9.

From January 2012 up to the present, LEYECO III has been implementing the approved DSM Rate Caps for Group “A”.

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**Table 9. LEYECO III's Revised Rate Schedule<sup>12</sup>**

**RSEC WR Rates - Phase 1 (January 2010 Billing - December 2010 Billing)**

Customer Class Type of Charge		RESIDENTIAL	LOW VOLTAGE			
		Residential	Commercial	Industrial	Public Building	Street Lights
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	11.0000	-	-
Distribution System Charge	PhP/kWh	1.0861	1.4128	1.4775	1.4138	0.9926
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	46.1300	46.1300	46.1300	40.8600
Supply System Charge	PhP/kWh	1.0088	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.4400	41.2900	29.4400	29.4400
Metering System Charge	PhP/kWh	0.5952	-	-	-	-
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	11.0000	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	2.6901	1.4128	1.4775	1.4138	0.9926
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	-	46.1300	46.1300	46.1300	40.8600
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	5.0000	29.4400	41.2900	29.4400	29.4400

**RSEC WR Rates - Phase 2 (January 2011 Billing - December 2011 Billing)**

Customer Class Type of Charge		RESIDENTIAL	LOW VOLTAGE			
		Residential	Commercial	Industrial	Public Building	Street Lights
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	5.5000	-	-
Distribution System Charge	PhP/kWh	1.0709	1.2852	1.3176	1.2858	1.0752
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	44.4700	44.4700	44.4700	41.8400
Supply System Charge	PhP/kWh	1.0185	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.2800	35.2000	29.2800	29.2800
Metering System Charge	PhP/kWh	0.5872	-	-	-	-
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	5.5000	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	2.6766	1.2852	1.3176	1.2858	1.0752
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	-	44.4700	44.4700	44.4700	41.8400
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	5.0000	29.2800	35.2000	29.2800	29.2800

**RSEC WR Rates - Final Phase (January 2012 Billing onwards)**

Customer Class Type of Charge		RESIDENTIAL	LOW VOLTAGE			
		Residential	Commercial	Industrial	Public Building	Street Lights
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	-	-	-
Distribution System Charge	PhP/kWh	1.0557	1.1577	1.1577	1.1577	1.1577
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	42.8200	42.8200	42.8200	42.8200
Supply System Charge	PhP/kWh	1.0282	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.1200	29.1200	29.1200	29.1200
Metering System Charge	PhP/kWh	0.5792	-	-	-	-
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	-	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	2.6631	1.1577	1.1577	1.1577	1.1577
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	-	42.8200	42.8200	42.8200	42.8200
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	5.0000	29.1200	29.1200	29.1200	29.1200

<sup>12</sup> Order dated 11 January 2010 in the instant case.

**VII. Impact of the Revised Rate Schedule**

Table 10 shows the old/unbundled rates<sup>13</sup> before the RSEC-WR. On the other hand, the provisionally approved Revised Rate Schedule of LEYECO III, including the phase-in rates under the RSEC-WR, appears in Table 9 in the previous section.

**Table 10. LEYECO III's Old/Unbundled Rates**

*UNBUNDLED RATES/PPD (Per ERC Case No. 2001-955, Decision dated 21 January 2004 and Order dated 07 December 2005)*

<b>Customer Class Type of Charge</b>		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	16.5000	-	-
Distribution System Charge	PhP/kWh	1.1013	1.5403	1.6374	1.5419	0.9101
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	0.9991	47.7800	47.7800	47.7800	39.8800
Supply System Charge	PhP/kWh	-	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.6000	47.3700	29.6000	29.6000
Metering System Charge	PhP/kWh	0.6032	-	-	-	-
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	16.5000	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	1.7045	1.5403	1.6374	1.5419	0.9101
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	0.9991	47.7800	47.7800	47.7800	39.8800
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	5.0000	29.6000	47.3700	29.6000	29.6000

For purposes of illustrating the impact of the revised rate schedule of LEYECO III upon its customers, shown in Table 11 are the resulting differences between the old rates of LEYECO III and the revised rates under the RSEC-WR.

As discussed earlier, the impact on the rates of LEYECO III is above PhPo.60/kWh.

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<sup>13</sup> ERC Case No. 2001-975, "In the Matter of the Application for the Approval of the Unbundled Rates Pursuant to the Provisions of Republic Act No. 9136".

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**Table 11. Rate Impact over the Course of Transition from LEYECO III's Old / Unbundled Rate Leading to the Initial Tariff (DSM Cap)**

*Variance: Increase/(Decrease) Unbundled Rates versus RSEC-WR Phase 1 Rates*

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	(5.5000)	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	0.9856	(0.1275)	(0.1599)	(0.1281)	0.0825
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	(0.9991)	(1.6500)	(1.6500)	(1.6500)	0.9800
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	-	(0.1600)	(6.0800)	(0.1600)	(0.1600)

*Variance: Increase/(Decrease) RSEC-WR Phase 1 Rates versus RSEC-WR Phase 2 Rates*

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	(5.5000)	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	(0.0135)	(0.1276)	(0.1599)	(0.1280)	0.0826
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	-	(1.6600)	(1.6600)	(1.6600)	0.9800
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	-	(0.1600)	(6.0900)	(0.1600)	(0.1600)

*Variance: Increase/(Decrease) RSEC-WR Phase 2 Rates versus RSEC-WR Final Phase Rates (Initial Tariff/DSM Cap)*

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	(5.5000)	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	(0.0135)	(0.1275)	(0.1599)	(0.1281)	0.0825
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	-	(1.6500)	(1.6500)	(1.6500)	0.9800
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	-	(0.1600)	(6.0800)	(0.1600)	(0.1600)

*Variance: Increase/(Decrease) Unbundled Rates versus RSEC-WR Final Phase Rates (Initial Tariff/DSM Cap)*

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>TOTAL Demand Charge</b>	PhP/kW	-	-	(16.5000)	-	-
<b>TOTAL Distribution, Supply &amp; Metering System Charge</b>	PhP/kWh	0.9586	(0.3826)	(0.4797)	(0.3842)	0.2476
<b>TOTAL Supply Retail Customer Charge</b>	PhP/Cust./Mo.	(0.9991)	(4.9600)	(4.9600)	(4.9600)	2.9400
<b>TOTAL Metering Retail Customer Charge</b>	PhP/Meter/Mo.	-	(0.4800)	(18.2500)	(0.4800)	(0.4800)

Under the one third (1/3) scheme, LEYECO III was allowed to phase-in in three (3) years.

The above Tables illustrate the rate impact over the course of the phase-in period leading up to the initial tariff (DSM Rate Caps).

The last Table shows the difference between the Old/Unbundled Rates of LEYECO III (pre-RSEC-WR) and the initial tariff (DSM Rate Caps) which took effect as of the January 2012 billing.

### **VIII. Final Rate Schedule**

In the Commission's *Order* dated 11 January 2010, LEYECO III was directed to adopt and implement the provisionally approved Revised Rate Schedule.

LEYECO III was able to transition smoothly from the old rates to the Revised Rate Schedule as stated in the *Order* dated 11 January 2010, but its phasing-in period for the initial one-third started only in its February 2010 billing; the succeeding phasing-in of another one-third in its January 2011 billing; and the final phase started in its January 2012 billing. Thus, starting on its January 2012 billing period, LEYECO III has been implementing the approved Initial Tariff up to the present.

After a thorough review and evaluation of the instant case, the Commission determined that the provisionally approved and implemented Revised Rate Schedule provided in the *Order* dated 11 January 2010, is reasonable and consistent with the RSEC-WR. Thus, the Commission confirms the implementation of the said rate schedule and authorizes the continued implementation of the same until the Commission determines a new rate.

However, the Commission denies LEYECO III's *Manifestation (Recovery of January 2010 Differential Billing)* filed on 19 March 2010.

It is worthy to emphasize that the objective of the RSEC-WR is to encourage efficiency in the operations of the ECs and to promote good performance with due consideration to the impact that any change in the tariff may have upon the consumers.

Consistent with the mandate of the Commission to protect the consumers and to cushion the impact brought about by the changes in an EC's tariff, a transition from the tariff of ECs under the cash flow rate-setting methodology towards the Initial Tariff under the RSEC-WR is necessary.



The phase-in period helps provide a transition toward the changes in the tariff structure, thus mitigating whatever impact these changes might have on the consumers and the ECs. The phase-in period was not designed to unreasonably tilt the balance in favor of any one party, which under the proposal, will have such a result as the EC proposes to recover the January 2010 differential billing, effectively negating the intended transition.

In view thereof, the prayer to collect the differential billing from its customers as manifested by LEYECO III is hereby denied.

Table 12 shows the Final Rate Schedule of LEYECO III, including the phasing-in period.

**Table 12. Final Rate Schedule<sup>14</sup>**

**Phase 1 (January 2010 Billing - December 2010 Billing)**

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	11.00	-	-
Distribution System Charge	PhP/kWh	1.0861	1.4128	1.4775	1.4138	0.9926
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	46.13	46.13	46.13	40.86
Supply System Charge	PhP/kWh	1.0088	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.44	41.29	29.44	29.44
Metering System Charge	PhP/kWh	0.5952	-	-	-	-
<b>RFSC</b>	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

**Phase 2 (January 2011 Billing - December 2011 Billing)**

<b>Customer Class Type of Charge</b>		<b>RESIDENTIAL</b>	<b>LOW VOLTAGE</b>			
		<b>Residential</b>	<b>Commercial</b>	<b>Industrial</b>	<b>Public Building</b>	<b>Street Lights</b>
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	5.50	-	-
Distribution System Charge	PhP/kWh	1.0709	1.2852	1.3176	1.2858	1.0752
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	44.47	44.47	44.47	41.84
Supply System Charge	PhP/kWh	1.0185	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.28	35.20	29.28	29.28
Metering System Charge	PhP/kWh	0.5872	-	-	-	-
<b>RFSC</b>	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

<sup>14</sup> *supra* note 12.

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Final Phase (January 2012 Billing onwards)

<u>Customer Class</u> Type of Charge		RESIDENTIAL	LOW VOLTAGE			
		Residential	Commercial	Industrial	Public Building	Street Lights
<b>Distribution Charges:</b>						
Demand Charge	PhP/kW	-	-	-	-	-
Distribution System Charge	PhP/kWh	1.0557	1.1577	1.1577	1.1577	1.1577
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/Cust./Mo.	-	42.82	42.82	42.82	42.82
Supply System Charge	PhP/kWh	1.0282	-	-	-	-
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/Mo.	5.0000	29.12	29.12	29.12	29.12
Metering System Charge	PhP/kWh	0.5792	-	-	-	-
<b>RFSC</b>	PhP/kWh	0.5324	0.5324	0.5324	0.5324	0.5324

**WHEREFORE**, the foregoing premises considered, the implemented Revised Rate Schedule of Leyte III Electric Cooperative, Inc. (LEYECO III), as provided in the *Order* dated 11 January 2010 is hereby **CONFIRMED**. However, LEYECO III's Manifestation for the *Recovery of January 2010 Differential Billing* is hereby **DENIED**.

**ACCORDINGLY**, LEYECO III is **AUTHORIZED** to continue implementing the aforementioned Revised Rate Schedule until a new rate is determined by the Commission.

**SO ORDERED.**

Pasig City, 22 November 2021.

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*


  
**ALEXIS M. LUMBATAN**  
*Commissioner*

  
**CATHERINE P. MACEDA**  
*Commissioner*

  
**FLORESINDA G. BALDO-DIGAL**  
*Commissioner*

  
**MARKO ROMULO L. FUENTES**  
*Commissioner*

  
LS: JMS/LSP/MCCG

  
ROS: CBD/DBBI/LOC/AJMO/LLG

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20. Office of the LGU Legislative Body  
San Miguel, Leyte
21. Office of the Municipal Mayor  
Sta. Fe, Leyte
22. Office of the LGU Legislative Body  
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