

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



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

ERC CASE NO. 2021-037 RC

**BASILAN ELECTRIC
COOPERATIVE, INC.
(BASELCO),**
Applicant.
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Promulgated:
June 29, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 26 May 2021, Basilan Electric Cooperative, Inc., (BASELCO) filed an *Application* dated 30 March 2021 (Application), seeking the Commission's approval of the its prayer for provisional authority or interim relief in the immediate implementation of the proposed Distribution, Supply and Metering (DSM) Charges, together with the corresponding 5% Reinvestment Fund, prior to and/or pending hearing on the merits, and its eventual approval.

The pertinent allegations of the *Application* are hereunder quoted as follows:

1. BASELCO is a non-stock, non-profit electric cooperative, organized and existing under and by virtue of Philippine laws, with principal offices at Km 3, Binuangan, Isabela City, Basilan;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the cities of Isabela and Lamitan, and the municipalities of Maluso, Lantawan, Tuburan, Tipo-Tipo, Sumisip, Unkayapukan and Mohamad Adjul, all in the Province of Basilan.

LEGAL BASIS FOR THE APPLICATION

3. BASELCO is filing the instant Application for rate adjustment pursuant to pertinent provisions of R.A. No. 9136 otherwise known as the Electric Power Industry Reform Act of 2011 or the “EPIRA”, to wit:

“SEC. 24. Distribution Wheeling Charge. – The distribution wheeling charges of distribution utilities shall be filed with and approved by the ERC pursuant to Paragraph (f) of Section 43 hereof.

SEC. 25. Retail Rate. – The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC 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 ERC.”

CAUSE OF ACTION

4. On 20 December 2001, BASELCO filed an application with the Honorable Commission for the approval of its unbundled rates pursuant to the provisions of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (R.A. No. 9136), based on year 200 historical test year, and docketed as ERC Case No. 2001-935;
5. On 20 May 2004, the Honorable Commission rendered its decision in said application, authorizing BASELCO to implement its unbundled rates, as follows:

For BASELCO’s Customers in Mainland

	Residential	Commercial	Industrial	Public Bldg.	Street Lights
Generation Charges					
Generation System Charge Php/kWh	4.7911	4.7911	4.7911	4.7911	
System Loss Charge Php/kWh	0.8455	0.8455	0.8455	0.8455	0.8455
Distribution Charges:					
Demand Charge Php/kWh					
Distribution System Charge Php/kWh	2.4241	1.1978	3.3686	0.8091	4.0813
Supply Charges:					
Retail Customer Charge PhP/Customer/Mo.		29.90	29.64	29.64	19.74
Supply System Charge PhP/kWh	0.5524				
Metering Charges:					
Retail Customer Charge PhP/Meter/Mo.	5.00	21.17	21.17	21.17	21.17
Metering System Charge PhP/kWh	0.3025				
Inter-Class Cross Subsidy Charge PhP/kWh	(0.5235)	1.3731	0.3118	1.8126	(1.9850)

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	Residential	Commercial	Industrial	Public Bldg.	Street Lights
Universal Charge:					
Missionary Electrification Charge PhP/kWh	0.0373	0.0373	0.0373	0.0373	0.0373
Environmental Chare Php/kWh	0.0025	0.0025	0.0025	0.0025	0.0025
Lifeline Rate (Discount)/Subsidy Php/kWh	0.0902	0.0902	0.0902	0.0902	0.0902
Rate Reduction due to LC	(0.6010)	(0.6010)	(0.6010)	(0.6010)	(0.6010)
Power Act Reduction	(0.3000)				

For BASELCO's Customers in Maluso, Lumisip and Lantawan

	Residential	Commercial	Industrial	Public Bldg.	Street Lights
Generation Charges					
Generation System Charge PhP/kWh	3.3770	3.3770	3.3770	3.3770	3.3770
System Loss Charge Php/kWh	0.5959	0.5959	0.5959	0.5959	0.5959
Distribution Charges:					
Demand Charge PhP/kWh					
Distribution System Charge Php/kWh	2.4241	1.1978	3.3686	0.8091	4.0813
Supply Charges:					
Retail Customer Charge PhP/Customer/Mo.		29.90	29.64	29.64	19.74
Supply System Charge PhP/kWh	00.5524				
Metering Charges:					
Retail Customer Charge PhP/Meter/Mo.	5.00	21.17	21.17	21.17	21.17
Metering System Charge PhP/kWh	0.3025				
Inter-Class Cross Subsidy Charge PhP/kWh	(0.5235)	1.3731	0.3118	1.8126	(1.9850)
Universal Charge:	0.0373	0.0373	0.0373	0.0373	0.0373
Missionary Electrification Charge PhP/kWh					
Environmental Share Php/kWh	0.025	0.025	0.025	0.025	0.025
Lifeline Rate (Discount)/Subsidy Php/kWh	0.0902	0.0902	0.0902	0.0902	0.0902
Rate Reduction due to LC	(0.6010)	(0.6010)	(0.6010)	(0.6010)	(0.6010)
Power Act Reduction	(0.3000)				

6. It has been nearly seventeen (17) years since BASELCO's existing rates were approved by the Honorable Commission in 2004. As such, the cooperative made a thorough review of its

operations more particularly, its ability to meet current obligations and capability to comply with the required service standards. Based on said review, BASELCO has determined that its existing rates are no longer responsive to the demands and requirements of its current operations;

7. The insufficiency of the existing rates of BASELCO is attributable mainly to the following circumstances, to wit:
 - a. Increase in the cost of its operations since the 2000 test year of its Unbundling Rate Application or over the past twenty (20) years, due to the expansion of its distribution system as well as the effects of inflation and other governmental requirements which are not provided for in its existing rates;
 - b. The cooperative's present Reinvestment Fund is no longer sufficient to cover its capital expenditure requirements and loan amortizations with the National Electrification Administration (NEA);
 - c. NEA's approval of BASELCO's plantilla positions and increase in salaries of existing plantilla positions through the adoption of NEA-approved salary scale for Large Electric Cooperatives under NEA Memo. No. 2020-057.

THE PROPOSED RATE ADJUSTMENT

8. In preparing the instant application, BASELCO used Year 2018 as test year and adopted the model computation utilized by electric distribution utilities in rate adjustment applications;
9. The proposed rates are designed after the existing presentation of rates, except for the 5% Reinvestment Fund, which shall be presented as separate line item in the electric bill;
10. The proposed Distribution, Supply and Metering (DSM) Rates are purely the cost of payroll and operations and maintenance (O&M) less other revenue items. Presented in the Table below is a comparison of the Existing and Proposed Rates ad Revenues.

EXISTING AND PROPOSED RATES AND REVENUES

Customer Class		BILLING DETERMINANTS	IMPLEMENTED RATES	EXISTING REVENUES	PROPOSED RATES	PROPOSED REVENUES
RESIDENTIAL						
Distribution	Php/kWh	23,093,304	2.4241	55,980,479	2.4201	55,888,534
Supply	Php/kWh		0.5524	12,756,741	1.1333	26,170,750
Metering	Php/kWh		5.00	1,751,520	5	1,751,520

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Customer Class		BILLING DETERMINANTS	IMPLEMENTED RATES	EXISTING REVENUES	PROPOSED RATES	PROPOSED REVENUES
	Php/mtr/mo	29,192	0.3025	6,985,725	0.6306	14,563,521
Total				77,474,465		98,374,325
COMMERCIAL						
Distribution	Php/kWh	4,582,510	1.1978	5,488,930	0.08263	3,786,658
Supply	Php/cust/mo	1,083	29.90	388,580	74.71	970,914
Metering	Php/kWh					
	Php/mtr/mo		21.17	275,125	46.57	605,275
Total				6,152,635		5,362,847
INDUSTRIAL						
Distribution	Php/kWh	1,095,979	3.37	-		0
Supply	Php/cust/mo	6	3.3686	3,691,914	1.4049	1,539,755
Metering	Php/kWh		29.64	2,134	74.71	5,379
	Php/mtr/mo		21.17	1,524	46.57	3,353
Total				3,695,572		1,548,487
PUBLIC BUILDING						
Distribution	Php/kWh	3,253,741	0.8091	2,632,602	0.5799	1,886,685
Supply	Php/kWh	325	29.64	115,596	74.71	291,364
Metering	Php/kWh		21.17	82,563		
	Php/mtr/mo				46.57	181,638
Total				2,830,761		2,359,687
STREET LIGHT						
Distribution	Php/kWh	502,111	4.0813	2,049,267	2.4683	1,239,371
Supply	Php/cust/mo	93	19.74	22,030	74.71	83,375
Metering	Phpmtr/mo		21.17	23,626	46.57	51,977
Total				2,094,923		1,374,723
GRAND TOTAL				92,248,356		109,020,069

11. From the Proposed Rates and Revenues presented above, BASELCO seeks the approval of its revenue requirements for its unbundled rates, based on the cost components presented below, to wit:

SUMMARY OF PROPOSED REVENUE REQUIREMENT PER COST COMPONENT (PhP)

PARTICULARS	TOTAL COMPANY (PhP) (1)	ELECTRIC ADJUSTMENT (PhP) (2)	PROPOSED REVENUE REQUIREMENT (PhP) (1+2)
Payroll	28,468,477	19,390,098	47,858,575
Operation & Maintenance (less:s Fuel, PP and Payroll)	37,458,944	14,030,767	51,489,711
Debt Service	3,610,973	-	3,610,973
Less: Other Revenue Items (ORI)	9,926,134	-	9,926,134

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TOTAL REVENUE REQUIREMENT BEFORE REINVESTMENT	59,612,260	33,420,865	93,033,125
Add: Reinvestment	15,986,943		15,986,943
TOTAL REVENUE REQUIREMENT	75,599,203	33,420,865	109,020,068

11.a Payroll

The payroll represents the basic salary of existing employees including employer's share in the SSS, PhilHealth and PAG-IBIG contributions, as well as 13th Month Pay. The adjustment covers the new plantilla positions and the increase in the salaries of existing plantilla positions through the adoption of NEA-approved salary scale for medium electric cooperatives.

11.b Operations and Maintenance

The operations and maintenance costs represent costs incurred in the ordinary repairs and maintenance of distribution lines, equipment, general plant and other administrative-related expenses that are necessary in the normal operation of the cooperative.

11.c Debt Service

Details of the loans acquired from NEA are as follows:

Type of Loan	Per NEA Loan Profile	
	EQA (PhP)	
OECF RE-Loan	132,598	530,393
Special Payment Arrangement	770,145	3,080,580
GRAND TOTAL	132,598	3,610,973

11.d 5% Reinvestment Fund

The 5% Reinvestment Fund is intended to finance the expansion, rehabilitation and upgrading of BASELCO's electric power system in accordance with ERC rules and guidelines.

Computation of 5% Reinvestment Fund (PhP)

Actual Sales	31,723,938	
Annualized sales	32,527,645	
Ave. Generation Rate/kWh-		5.0759
Ave. System Loss Rate/kWh		1.0169
Payroll	47,585,575	1.5086
O & M	51,489,711	1.6231
Debt Services	3,610,973	1.1138

Total		9.3383
Divided by 95%		
Gross of Reinvestment		9.8298
Reinvestment Rate		0.4915
Reinvestment fund		15,986,943

11.e Other Revenue Items (ORI)

The Other Revenue Items at the end of Year 2018 totaling PhP9,175,976.64 represent reconnection fees, penalties on late payment of power bills, penalties on illegal reconnection and other electric related revenues. 50% of network-related revenues was deducted in computing the total revenue requirement.

12. **Lifeline Rate and Level.** The proposed lifeline rates for marginalized residential consumers to be applied to Generation, Systems Loss, Distribution, Supply and Metering shall be as follows:

LIFELINE DISCOUNT RATE

kWh	Discount Rate (%)
0-5	10
6-15	5

Following the prescribed formula in computing Lifeline Subsidy Rate to be charged to non-lifeline customers, the average lifeline subsidy rate as of December 31, 2018 is PhPo.11.

13. **Other Charges.** BASELCO shall continue to implement the existing Other Charges per approved Unbundled Rates. Further, it shall adopt the charges imposed under R.A. No. 7832 otherwise known as the Anti-Pilferage Act.

SUPPORTING DATA AND DOCUMENTS

14. In support of the foregoing allegations, BASELCO is submitting herewith the following data and documents, which are being made integral parts hereof, as follows:

Markings	Nature of Document
Annex A	Decision in ERC Case No. 2001-935, BASELCO's Application for Approval of Unbundled Rates pursuant to R.A. 9136
Annex B	NEA 2020 EC Categorization and Classification by Size
Annex C	Folder 1 – Uniform Filing Rate (UFR) Summary
Annex D	Folder 2 – Payroll for UFR
Annex E	Folder 3 – Summary of Vouchers

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

15. BASELCO replays the foregoing allegations as may be material herein;
16. As indicated in Paragraph 7 above, the existing rates of BASELCO, which have never been adjusted for around seventeen (17) years are no longer sufficient to meet the demands and requirements of its operations.
17. In view thereof, BASELCO respectfully prays of this Honorable Commission for issuance of a provisional authority, allowing the cooperative to implement the rates proposed in the instant Application immediately upon filing and initial evaluation hereof and while the application is pending, to enable BASELCO to viably pursue and sustain its operations.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

18. Finally, in compliance with the pre-filing requirements for the instant application under the Revised ERC Rules of Practice and Procedure, BASELCO is submitting herewith the following documents which are being made integral parts hereof, to wit:

Markings	Nature of Document
Annex F	Judicial Affidavit in Support of the Motion for Provisional Authority
Annex G and Series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Panglungsod of Isabela City and Offices of the Governor and Sangguniang Panlalawigan of Basilan
Annex H and Series	Proof of publication of the Application in a newspaper of general circulation in the Philippines

PRAYER

WHEREFORE, premises considered, applicant Basilan Electric Cooperative, Inc. (BASELCO) most respectfully prays of this Honorable Commission that upon initial evaluation of the instant Application and while the same is pending, the cooperative be allowed to implement the proposed Distribution, Supply and Metering (DSM) Charges presented in the table below, together with the corresponding 5% Reinvestment Fund, and after due notice and hearing, said rates be approved accordingly:

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RESIDENTIAL				
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Metering	Php/kWh		5	1,751,520
	Php/mtr/mo	29,192	0.6306	14,563,521
Total				98,374,325
COMMERCIAL				
Distribution	Php/kWh	4,582,510	0.08263	3,786,658
Supply	Php/cust/mo	1,083	74.71	970,914
Metering	Php/kWh			
	Php/mtr/mo		46.57	605,275
Total				5,362,847
INDUSTRIAL				
Distribution	Php/kWh	1,095,979		0
Supply	Php/cust/mo	6	1.4049	1,539,755
Metering	Php/kWh		74.71	5,379
	Php/mtr/mo		46.57	3,353
Total				1,548,487
PUBLIC BUILDING				
Distribution	Php/kWh	3,253,741	0.5799	1,886,685
Supply	Php/kWh	325	74.71	291,364
Metering	Php/kWh			
	Php/mtr/mo		46.57	181,638
Total				2,359,687
STREET LIGHT				
Distribution	Php/kWh	502,111	2.4683	1,239,371
Supply	Php/cust/mo	93	74.71	83,375
Metering	Phpmtr/mo		46.57	51,977
Total				1,374,723
GRAND TOTAL				109,020,069

Other reliefs, just and equitable in the premises are likewise prayed for.

The Commission hereby sets the same 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 No. 09, Series of 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

¹ Entitled: "A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission".

² Entitled "A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission".

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Date and Time	Platform	Activity
05 August 2021 (Thursday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository presentation
12 August 2021 (Thursday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

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:

- 1) The petitioner's name, mailing address and e-mail address;
- 2) 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
- 3) 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 likewise 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 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:

- 1) The name, mailing address and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) 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 hearing by providing the Commission, thru 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 **CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 3rd day of June 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: RLDJ/MCCG

