

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



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

ERC CASE NO. 2021-019 RC

**MARINDUQUE ELECTRIC
COOPERATIVE, INC.
(MARELCO),**

Promulgated:
June 29, 2021

Applicant.

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 23 March 2021, Marinduque Electric Cooperative, Inc. (MARELCO) filed an *Application* seeking the Commission's approval of rate adjustments in accordance with the provisions of R.A. 9136, with prayer for issuance of provisional authority.

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

1. Applicant MARELCO, is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office address located at Ihatub, Boac, Marinduque whereat it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Gaudencio M. Sol Jr., of legal age, Filipino, married. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration to operate an electric light and power services in the Municipalities of Boac, Mogpog, Sta. Cruz, Torrijos, Buenavista and Gasan, all in the Province of Marinduque.

2. MARELCO has prepared its proposed rate adjustment in accordance with the specific provision of Republic Act No. 9136 and the implementing guidelines issued by the Energy Regulatory Commission (ERC) and in conformity with the Implementing Rules and Guidelines on pre-filing requirements. The application submitted to the Commission made use of the model computation prescribed by the Commission using the 2018 data as the test year. And as such, MARELCO requests from this Commission the approval of its proposed unbundled rate per customer class relative to distribution, supply and metering charges as presented herein-below:

Table 1: Proposed Unbundled Rate

Customer Class	Cost Charges	UNIT	Rate Proposal
Residential			
	Distribution Charge	PhP/kWh	1.2917
	Supply Charge	PhP/kWh	1.4295
	Metering Charge		
	PhP/customer/month	PhP/meter/mo	5.0000
	PhP/kWh	PhP/kWh	0.6445
Commercial			
	Distribution Charge	PhP/kWh	0.5684
	Supply Charge	PhP/cust/mo	78.2526
	Metering Charge	PhP/meter/mo	40.2804
Industrial			
	Distribution Charge	PhP/kWh	0.3658
	Supply Charge	PhP/cust/mo	78.2526
	Metering Charge	PhP/meter/mo	40.2804
P.Buildings			
	Distribution Charge	PhP/kWh	0.4418
	Supply Charge	PhP/cust/mo	78.2526
	Metering Charge	PhP/meter/mo	40.2804
Water System			
	Distribution Charge	PhP/kWh	0.4276
	Supply Charge	PhP/cust/mo	78.2526
	Metering Charge	PhP/meter/mo	40.2804
St. Light			
	Distribution Charge	PhP/kWh	0.4538
	Supply Charge	PhP/cust/mo	78.2526
	Metering Charge	PhP/meter/mo	40.2804

3. That on September 28, 2009, MARELCO filed with the Energy Regulatory Commission (ERC) for the approval of its over-all tariff adjustment (OATA) of PhP1.4442/kwh, with prayer for issuance of provisional authority, and was docketed as ERC Case No.2009-074 RC. The said application was approved on March 29, 2010 and was made effective in the next billing.

3.a That based on the financial data and billing determinants for the test year 2018, MARELCO arrived at the revenue requirement for the different customer classes based on the distribution system cost component of MARELCO that resulted in the **Over-all Tariff Adjustment of Php 0.6818/ kwh**, as shown in Table 2 hereof:

Table 2: Over-all Tariff

Revenue Requirement	Existing Revenue	Proposed Revenue	Difference
Residential	74,791,549.26	108,821,818.52	34,030,269.26
Commercial	6,925,514.90	8,328,079.33	1,402,564.43
Industrial	3,719,434.25	1,599,801.33	(2,119,632.91)
Public Building	3,928,864.59	4,263,336.20	334,471.62
Water System	891,297.42	860,251.83	(31,045.60)
St. Light	234,570.69	283,407.10	48,836.42
Total	90,491,231.10	124,156,694.32	33,665,463.22
Billing Determinant			49,378,215.00
Over All Tariff Adjustment (OAT A)			0.68

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

Table 3: Proposed Revenue Requirement per Cost Component

Particulars	Total Company	Electric Adjustment	Proposed Revenue Requirement
Payroll	36,175,044	24,219,890	60,394,934
Operation & Maintenance	41,189,889	7,512,357	48,702,246
Elec. Coop: Debt Service	5,055,304	-	5,055,304
Total	82,420,237	31,732,247	114,152,485
Less Other Revenue Items (ORI)	19,115,515	(6,855,179)	12,260,336
Total	63,304,723	38,587,426	101,892,149
Plus 5% Reinvestment Fund	22,264,545	-	22,264,545
Total Revenue Requirement	85,569,268	38,587,426	124,156,694

4.a That the proposed payroll includes the implemented increase in 2019 and the adoption of the 2018 salary scale

for employees in four (4) tranches, NEA Memo 2018-002 dated January 12, 2018 to reflect the category of the EC as Extra Large in 2019. The adjustment in this application was based on the first tranche of the said NEA Memorandum;

- 4.b That the adjustment for the Operation and Maintenance Expenses were made to include provisions for the retirement benefits based on the 2019 actuarial study;
- 4.c That the Debt Service provided for this application includes loans acquired for capital expenditures except for the two (2) SDSL loans from NEA that will be fully paid in June, 2020 as shown below:

Table 4: Breakdown of Debt Service

Type of Loan	Per NEA Loan Profile		Other Lending Institution		Total Annual Amortization	Debt Service for UFR
	EQA	TOTAL	MONTHLY	TOTAL		
SDSL	431,990.00	1,727,960.00			1,727,960.00	
SDSL	185,758.00	743,032.00			743,032.00	
SDSL	102,988.00	411,952.00			411,952.00	411,952.00
Working Capital	2,495,232.00	9,980,928.00			9,980,928.00	
Working Capital	1,508,368.00	6,033,472.00	224,244.00	2,690,928.00	8,724,400.00	
Working Capital	3,731,536.00	14,926,144.00			14,926,144.00	
Calamity Loan	236,109.00	944,436.00			944,436.00	944,436.00
Line Reconductoring			137,360.00	1,648,320.00	1,648,320.00	1,648,320.00
Purchase of Commercial Lot			170,883.00	2,050,596.00	2,050,596.00	2,050,596.00
GRAND TOTAL	8,691,981.00	34,767,924.00	532,487.00	6,389,844.00	41,157,768.00	5,055,304.00

- 4.d That based on the provision of the unbundling of rates, 50% of the revenue earned from the use of asset-related properties of the electric cooperative shall be shared between the utility and its consumers. The substantial increase of other electric revenues in 2018 was the implementation of the 5% surcharge in the payment of overdue bills as approved by the general assembly last 2018 annual general membership assembly (AGMA). The imposition is meant to discipline the consumers to pay on or before its due date. The Cooperative have been lenient in implementing the disconnection activity. Once the consumers shall have realized the implication of the delayed payment of bills, the said other electric revenue shall likewise decrease. It was also observed that the Cooperative had engaged into construction of lines and installation of special equipment for private companies and individuals using the existing manpower. The influx of investors pushed the Cooperative to promptly respond to the request for the immediate connection of their buildings and structures and it likewise includes Government agencies who constructed or upgraded their buildings. The increase is quite temporary and so the average ORI was used in the application.

Table 5: Other Revenue Items

OTHER REVENUE ITEMS (Test Year 2018)

PARTICULARS	BALANCES PER AFS		Regulated (100%)	Non Regulated (50%)	ORI
Rent from Electric Property	3,068,378.68			1,534,189.34	1,534,189.34
Prompt Payment Discount	9,828,273.65		9,828,273.65		
Other Electric Revenue	8,041,375.57				8,041,375.57
Rev. from Merchandising Jobbing & CW	9,539,949.97				9,539,949.97
TOTAL	30,477,977.87		9,828,273.65	1,534,189.34	19,115,514.88

Computation of Other Revenue Items (ORI) using the Average ORI 2015-2018

PARTICULARS	YEAR				Total	Average ORI	Regulated (100%)	Non Regulated (50%)	Average ORI
	2015	2016	2017	2018					
Operating Revenues									
Rent from Electric Property	2,190,314.36	2,387,310.42	2,859,099.44	3,068,378.68	10,505,102.90	2,626,275.73		1,313,137.86	1,313,137.86
Other Electric Revenues									
Reconnection, Inspection, Service Fee, surcharge and									
Other fees	4,762,824.05	4,475,148.42	3,846,686.48	8,041,375.57	21,126,034.52	5,281,508.63			5,281,508.63
Prompt Payment Discount	4,448,545.83	5,670,000.00	6,789,178.97	9,828,273.65	26,735,998.45	6,683,999.61	6,683,999.61		
	11,401,684.24	12,532,458.84	13,494,964.89	20,938,027.90	58,367,135.87	14,591,783.97			6,594,646.49
Non-Operating Revenues									
Rev from Merchandizing Jobbing & Contract Works	2,938,537.36	5,527,033.59	4,657,236.74	9,539,949.97	22,662,757.66	5,665,689.42			5,665,689.42
	2,938,537.36	5,527,033.59	4,657,236.74	9,539,949.97	22,662,757.66	5,665,689.42			5,665,689.42
TOTAL	14,340,221.60	18,059,492.43	18,152,201.63	30,477,977.87	81,029,893.53	20,257,473.38			
AVERAGE ORI									12,260,335.91
ADJUSTMENT									(6,855,179)

- 4.e That by the continuous efforts of MARELCO to attain fully the 100% electrified franchise area and upgrade its distribution lines to the remaining un-energized sitios located in far-flung area, the coop will have to carry out the installation of 2.357 kms of single-phase distribution lines 7.282 kms of open secondary and 1.327 kms of underbuilt lines. This undertaking requires huge investment but no fair return is expected since the actual survey show an initial connection of purely small residential consumers per sitios;
- 4.f That for purposes of implementing its system loss reduction program, the cooperative requires considerable investment in order to attain an acceptable level of system loss. Thus, the Provision of Reinvestment cost was PhP0.4509 or PhP22,264,545 of the Proposed Gross Revenue Requirement as the table shows:

Table 6: Computation of 5% Reinvestment

Actual Kwh Sales	48,101,374	
Annualized Sales	49,378,215	
Generation Rate/kwh	5.5386	5.5386
Systems Loss Rate/kwh	0.6553	0.6553
Payroll	60,394,934	1.2556
O&M	48,702,246	1.0125
Debt Services	5,055,304	0.1051
Total		8.5671
Total Divided by 95%		95%
Gross Rate		9.0180
Reinvestment Rate		0.4509
5% Reinvestment Fund		22,264,545

5. That based on the annualized kwh sales and number of customer class from the audited financial statement and statistical information for the test year 2018, billing determinants and allocation factors used, MARELCO arrived at the functionalized and allocated cost to the different customer classes, the resulting summary of revenue are as follow:

Table 6: Revenue Summary Per Customer Class and Function

Customer Class	Revenue Requirement	Distribution	Supply	Metering
Residential	108,821,818.52	40,660,610.45	44,998,370.11	23,162,837.97
Commercial	8,328,079.33	3,861,756.43	2,948,557.64	1,517,765.26
Industrial	1,599,801.33	1,282,607.06	209,403.93	107,790.34
Public Building	4,263,336.20	2,574,952.36	1,114,629.91	573,753.94
Water System	860,251.83	621,289.33	157,757.22	81,205.28
Street Lights	283,407.10	144,012.31	92,025.05	47,369.74
Total	124,156,694.32	49,145,227.94	49,520,743.86	25,490,722.52

7. That, MARELCO adopts ERC Guidelines for the calculation of over or under recovery in the implementation of lifeline rates. After ten (10) years from the date of last rate application the lifeline recipient reduced to 34% since many residential consumers had increased their average consumption. It is proposed that the lifeline discount be 50% for Residential consumers with 0-10.99 kwh and 35% for 11-20 kwh consumptions respectively. An end-user with a level of consumption exceeding 20 kwh in a particular billing period shall not be entitled to any discounted lifeline rate for said period. The cost of lifeline subsidy to lifeline end-users shall be passed on to all non-lifeline at PhP 0.0923/kwh.:

Table: Lifeline Kwh Consumption Level and Discount

Kwh Consumption	Level of Discount
0 - 10.99	50%
11 - 20.00	35%
Lifeline Subsidy of Non-Lifeline Consumers	0.0923 Per Kwh

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

9. That the applicant, MARELCO, in support of this application for the approval of the new rate adjustments, has attached the following required documents as provide for in the guidelines:
 - Schedule D Functionalization Factors
 - Schedule E Class Allocation Factors/Ratios-Distribution, Supply and Metering
 - Schedule F Rate Design, Revenue Summary and Proof of Revenue Statement
 - Schedule H Inter Class Cross Subsidies and Removal Cross Subsidy

10. For the applicant, MARELCO's needs in order to be continuously viable in its electricity distribution operation, the proposed charges per customer class is presented below:

Basic Charges	Unit	CUSTOMER CLASS					
		Residential	Commercial	Industrial	Public Building	Water System	Street Lights
Distribution Charge							
Demand Charge	(PhP/kW)						
Distribution Charge	(PhP/kWh)	1.2917	0.5684	0.3658	0.4418	0.4276	0.4538
Supply Charge							
Retail Customer Charge	(PhP/Cust/Mo)		78.2526	78.2526	78.2526	78.2526	78.2526
Supply System Charge	(PhP/kWh)	1.4295					

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Metering Charge							
Retail Meter Charge	(PhP/Cust/ Mo)	5.0000	40.2804	40.2804	40.2804	40.2804	40.2804
Metering System Charge	(PhP/kWh)	0.6445					
Total Energy Charge		3.3657	0.5684	0.3658	0.4418	0.4276	0.4538
Total Monthly Customer Charge		5.0000	118.5330	118.5330	118.5330	118.5330	118.5330

11. That herein applicant most respectfully request for immediate relief and/or approval of this application in order to avoid irreparable losses which will ultimately result in the deterioration of its services, to the damage and prejudice of the public in general and its members/ consumers in particular.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that pending hearing, the herein submitted rate adjustment be provisionally approved ex parte based on the submitted documents, Marinduque Electric Cooperative, Inc (MARELCO) is recommending for the approval of its revised unbundled rates based on the following:

1. The approval of costs for reinvestment to attain MARELCO's mandate of providing quality electric service to its consumers.
2. Full consideration on the adjustments in payroll, operation and maintenance expenses for the cooperative to sustain its operations/
3. Loans received from NEA and REFC
 - a) Single Digit System Loss
 - b) Calamity Loan
 - c) REFC CAPEX – Line Reconductoring
 - d) REFC CAPEX – Building and Lot Acquisition

And that applicant, MARELCO, be authorized to adopt and implement the same effective upon such approval.

And after due notice and hearing and consideration, the application be approved permanently.

Other relief just and equitable under the circumstances 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

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to Resolution No. 09, Series of 2020¹ dated 24 September 2020 and Resolution No. 1, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):²

Date	Platform	Activity
27 July 2021 (Tuesday) at nine o'clock in the morning (9:00 AM)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
03 August 2021 (Tuesday) at nine o'clock in the morning (9:00 AM)	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 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

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.

- 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 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:

- 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 **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 11th day of June 2021 in Pasig City.



AGNES VST DEVANADERA
Chairperson and CEO

ERC

Office of the Chairperson



AVSTD-2021-06-510-0099


LS: MSIA/CLB/MCCG