

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 REPUBLIC  
ACT NO. 9136, WITH PRAYER  
FOR PROVISIONAL AUTHORITY**

**ERC CASE NO. 2014-169 RC**

**BATANES  
COOPERATIVE,  
(BATANELCO),**

**ELECTRIC  
INC.**

**Applicant.**

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**DOCKETED**  
Date: JAN 08 2015  
By: *M*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on November 12, 2014, Batanes Electric Cooperative, Inc. (BATANELCO) filed an application for the approval of rate adjustment in accordance with Republic Act No. 9136 (R.A. 9136), with prayer for provisional authority.

In the said application, BATANELCO alleged, among others, the following:

1. It is an electric cooperative duly organized and existing under the laws of the Republic of the Philippines with office address at Basco, Batanes. It was granted a franchise to operate an electric light and power distribution service in the six (6) municipalities of Batanes, namely: Basco, Mahatao, Ivana, Uyugan, Sabtang and Itbayat, all in the Province of Batanes;

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2. Pursuant to the instant application, it prepared its proposed rate adjustment in accordance with the relevant provisions of R.A. 9136 and its Implementing Rules and Regulations (IRR) issued by the Commission and in conformity with the pre-filing requirements under the ERC Rules of Practice and Procedure. The application submitted to the Commission utilized the model computation prescribed by the Commission using the test year 2012. It seeks the approval of its proposed unbundled rate per customer class relative to Distribution, Supply and Metering (DSM), as presented below:

Table 1. Comparison of Proposed and Existing Rates

CUSTOMER CLASS	BILLING UNIT	R A T E S		
		Proposed	Existing	Difference
<b>Residential</b>				
Distribution	PhP/kWh	2.3999	1.5859	0.8140
Supply	PhP/kWh	0.9902	0.7327	0.2575
Metering	PhP/kWh	0.1060	0.3494	-0.2434
	PhP/Meter/Mo.	5.00	5.00	
Loan Condonation	PhP/kWh		-0.6350	0.6350
Total Peso/kWh		3.4961	2.033	1.4631
Total Peso/Meter/Mo.		5.00	5.00	
<b>Commercial</b>				
Distribution	PhP/kWh	2.1550	1.2398	0.9152
Supply	PhP/Cust/Mo.	52.07	31.40	20.67
Metering	PhP/kWh			
	PhP/Meter/Mo.	10.57	29.68	-19.11
Loan Condonation	PhP/kWh		-0.2333	0.2333
	PhP/Cust/Mo.		-15.74	15.74
Total Peso/kWh		2.155	1.0065	1.1485
Total Peso/Meter/Mo.		10.57	29.68	-19.11
Total Peso/Cust./Mo.		52.07	15.66	36.41
<b>Communal Water System</b>				
Distribution	PhP/kWh	16.50	1.09	15.41
Distribution	PhP/kWh	0.5799		0.5799
Supply	PhP/Cust/Mo.	52.07	31.40	20.67
Metering	PhP/Meter/Mo.	10.57	29.68	-19.11
Loan Condonation	PhP/kWh		-0.1796	0.1796
	PhP/Cust/Mo.		-15.74	15.74
Total Peso/kWh		2.155	1.0065	1.1485
Total Peso/Meter/Mo.		10.57	29.68	-19.11
Total Peso/Cust./Mo.		52.07	15.66	36.41
<b>Public Buildings</b>				

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Distribution	PhP/kWh	<b>3.2035</b>	0.7945	2.4090
Supply	PhP/Cust/Mo.	<b>52.07</b>	31.40	20.67
Metering	PhP/kWh			
	PhP/Meter/Mo.	<b>10.57</b>	29.68	-19.11
Loan Condonation	PhP/kWh		-0.1428	0.1428
	PhP/Cust/Mo.		-15.74	15.74
Total Peso/kWh		<b>3.2035</b>	<b>.6517</b>	<b>2.5518</b>
Total Peso/Meter/Mo.		<b>10.57</b>	<b>29.68</b>	<b>-19.11</b>
Total Peso/Cust./Mo.		<b>52.07</b>	<b>15.66</b>	<b>36.41</b>
<b>Street Lights</b>				
Distribution	PhP/kWh	<b>5.4657</b>	0.6561	2.5474
Supply	PhP/Cust/Mo.	<b>52.07</b>	31.40	20.67
Metering	PhP/Meter/Mo.	<b>10.57</b>		126.86
Loan Condonation	PhP/kWh		-0.1852	0.1852
	PhP/Cust/Mo.		-0.88	0.88
Total Peso/kWh		<b>3.2035</b>	<b>.4709</b>	<b>2.7326</b>
Total Peso/Meter/Mo.		<b>10.57</b>		
Total Peso/Cust./Mo.			<b>-0.88</b>	<b>0.88</b>

3. On December 28, 2001, it filed with the Commission an application for the unbundling of its rates, docketed as ERC Case No. 2001-1014 RC, in compliance with the provisions of R.A. 9136 requiring every distribution utility to unbundle its rates and prayed for an overall average tariff adjustment of PhP0.5694/kWh. In December 2002, the Commission approved its application for the unbundling of rates, with an overall average tariff adjustment of PhP0.5694/kWh. To date, however, it must again seek tariff adjustment as provided in the preceding table in order to achieve the proposed requirements provided in the following table:

Table 2. Comparison of Revenue Requirement

BATANES ELECTRIC COOPERATIVE, INC.		UNIT	Rate	Revenue	
<b>Residential</b>		<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>2.3999</b>	6,711,714
kWh	2,796,681	<b>Supply Charge</b>	<b>PhP/kWh</b>	<b>0.9902</b>	2,769,153
Customers	4,432	<b>Metering Charge</b>			
		<b>PhP/customer/month</b>	<b>PhP/meter/mo</b>	<b>5.00</b>	265,920
		<b>PhP/kWh</b>	<b>PhP/kWh</b>	<b>0.1060</b>	296,332
		<b>Total</b>			<b>10,043,118</b>
<b>Commercial</b>		<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>2.1550</b>	2,046,398
kWh	949,584	<b>Supply Charge</b>	<b>PhP/cust/mo</b>	<b>52.07</b>	284,913
Customers	456	<b>Metering Charge</b>	<b>PhP/meter/mo</b>	<b>10.57</b>	57,849

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		<b>Total</b>			<b>2,389,160</b>
<b>Communal Water System</b>					
kWh	313,710	<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>16.50</b>	990
Customers	33	<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>0.5799</b>	181,925
kW (Demand)	60	<b>Supply Charge</b>	<b>PhP/cust/mo</b>	<b>52.07</b>	20,619
		<b>Metering Charge</b>	<b>PhP/meter/mo</b>	<b>10.57</b>	4,186
		<b>Total</b>			<b>207,720</b>
<b>P.Buildings</b>					
kWh	894,673	<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>3.2035</b>	<b>2,866,087</b>
Customers	280	<b>Supply Charge</b>	<b>PhP/cust/mo</b>	<b>52.07</b>	<b>174,946</b>
		<b>Metering Charge</b>	<b>PhP/meter/mo</b>	<b>10.57</b>	<b>35,521</b>
		<b>Total</b>			<b>3,076,554</b>
<b>St. Light</b>					
kWh	72,453	<b>Distribution Charge</b>	<b>PhP/kWh</b>	<b>3.2035</b>	<b>396,011</b>
Customers	443	<b>Supply Charge</b>	<b>PhP/cust/mo</b>	<b>52.07</b>	<b>276,790</b>
		<b>Metering Charge</b>	<b>PhP/meter/mo</b>	<b>10.57</b>	<b>56,200</b>
		<b>Total</b>			<b>729,001</b>
	5,027,102	<b>Total Revenue</b>			<b>16,445,554</b>
	5,671				

4. Using the above-mentioned proposed revenue and rates, it is seeking the immediate approval of the proposed revenue requirement for its unbundling of rates, as shown below:

Table 3. Summary of Proposed Revenue Requirement Per Cost Component

<b>Revenue Components</b>	<b>Amount (PhP)</b>
Payroll	6,574,525.00
Operations and Maintenance	4,407,215.00
Debts Service	3,074,207.00
5% Reinvestment Fund	2,569,955.00
<b>Total</b>	<b>16,625,902.00</b>
Less: Other Revenue Income	180,348.00
<b>Total Revenue Requirement</b>	<b>16,445,554.00</b>

- 4.1 **Payroll** - The payroll is comprised of the basic salary of the existing employees, including the employer's share for SSS, Philhealth, PAG-IBIG

and 13<sup>th</sup> month pay. The adjustment represents the normalization of the salary increase that was implemented in September 2013, including the salaries of additional employees after the 2012 test year pursuant to the 2012 approved plantilla/positions;

4.2 **Operations and Maintenance (O&M)** - The O&M cost represents cost incurred in the ordinary repairs and maintenance of distribution lines, equipment, general plant and other administrative-related expenses that are necessary in its normal operation;

4.3 **Debt Service**

	TEST YEAR 2012		Adjustment from Test Year
	Equal Quarterly Amortization	Yearly Amortization	
	<b>NEA LOANS</b>		
RE LOANS	62,051.00	248,204.00	
Restructured -A	148,158.00	592,632.00	
SDSL			1,055,580.00
Long Term Loan- DBP			1,177,791.32
<b>TOTAL</b>		840,836.00	2,233,371.32
<b>GRAND TOTAL</b>			<b>3,074,207.32</b>

4.4 In view of its continuous efforts to fully electrify its franchise area and extend its distribution lines to the remaining un-energized sitios located in the far-flung area, it will have to carry out the installation as well as rehabilitation of existing distribution lines. This undertaking requires huge investment but no fair return is expected since the actual survey shows an initial connection of purely small residential consumers per barangay. In addition, it will have to institute system loss reduction programs and purchase necessary logistic equipment to build the necessary distribution lines;

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5. Based on the annualized kWh sales and the number of customer class from the Audited Financial Statement (AFS) and statistical information for the test year 2012, billing determinants and allocation factors used, it was able to arrive at the functionalized and allocated cost to the different customer classes. Thus, the resulting Summary of Revenue is as follows:

	<b>Total</b>	<b>Distribution</b>	<b>Supply</b>	<b>Metering</b>
<b>Class</b>	<b>Revenue</b>	<b>Related Revenue</b>	<b>Related Revenue</b>	<b>Related Revenue</b>
<b>(a)</b>	<b>(b)</b>	<b>(c)</b>	<b>(d)</b>	<b>(e)</b>
<b>Residential</b>	10,043,118	6,711,714	2,769,153	562,252
<b>Commercial</b>	2,389,160	2,046,398	284,013	57,849
<b>Communal Water</b>	207,720	182,915	20,610	4,186
<b>System</b>				
<b>Public Building</b>	3,076,554	2,866,087	174,946	35,521
<b>Street Lights</b>	729,001	396,011	276,790	56,200

6. In compliance with Sec. 73 of R.A. 9136, it is also proposing to retain the present Lifeline rate discounts and subsidy for the marginalized end-users based on the test year 2012 frequency distribution of Residential consumers, to wit:

<b>CONSUMPTION LEVEL</b>	<b>EXISTING DISCOUNT RATE (%)</b>
15 kWh and below	35
16 kWh	30
17 kWh	25
18 kWh	15
19 kWh	10
20 kWh	5

- 6.1 The number of end-users that will benefit from the said discounts represents thirty-six percent (36%) of the total number of Residential consumers while the kWh consumption represents only seven percent (7%) of the total sales for the month;

7. It has prepared its proposed rate adjustment in accordance with the specific provisions of R.A. 9136 and the implementing guidelines issued by the Commission and in conformity with the Implementing Rules and Guidelines on pre-filing requirements, to wit:

Annex "A"	Certification issued by the Local Government Unit's (LGU) Legislative Body
Annex "B"	Affidavit of Publication from the Local Newspaper
Annex "C"	Issue of the Local Newspaper where the Application was published

8. It has submitted the following documents in support of the instant application:

- 8.1 Summary Data
- 8.2 Annualization
- 8.3 CP, NCP and AED
- 8.4 Demand Split
- 8.5 Cost by Function
- 8.6 Factors
- 8.7 Cost of CWC
- 8.8 Supply by Class
- 8.9 Metering by Class
- 8.10 Summary by Class
- 8.11 Rate Design
- 8.12 Class Factor 8
- 8.13 Class Ratio 8
- 8.14 Class Factor T
- 8.15 Class Ratio T
- 8.16 Class Factor D
- 8.17 Class Ratio D
- 8.18 Class Factor S
- 8.19 Class Ratio S
- 8.20 Class Factor M
- 8.21 Class Ratio M
- 8.22 Weighted Meter
- 8.23 Table 1 – Plantilla Position
- 8.24 Table 2 – Payroll History
- 8.24 Table 3 – Employee Salaries
- 8.24 Table 4 – Salary Distribution

- 8.25 Table 5 - Salary with Placement Employee
- 8.26 Table 6 – Pension and Benefits
- 8.27 Table 7 – O&M Expense
- 8.28 Debt Service
- 8.29 Table 4 – Other Revenue items
- 8.30 Reinvestment
- 8.31 Frequency Distribution
- 8.32 Proposed Salary
- 8.33 Distribution Expense
- 8.34 Approved Plantilla Position
- 8.35 Approved Budget 2012
- 8.36 National Electrification Administration (NEA)  
Guideline on Salaries
- 8.37 Coop Board Resolution
- 8.38 NEA Loan Profile
- 8.40 Approved Capital Expenditure (CAPEX)
- 8.41 Distribution Equipment Latest
- 8.42 Projected Cash Flow
- 8.43 Projected Statement of Operation
- 8.44 Projected Revenue

**ALLEGATIONS IN SUPPORT OF THE PRAYER  
FOR PROVISIONAL AUTHORITY**

It repleads the foregoing allegations and further states that:

9. Its existing yearly revenue stands at PhP8,389,456.00 while its computed actual revenue requirement using the test year 2012 is at PhP16,445,554.00. Despite this lack of revenue, it has adopted measures to be able to continue its operations, including the multi-tasking of its employees. In fact, to minimize expenses on salary, it shares its General Manager with another cooperative;
10. It is to be noted, however, that there are ongoing efforts to fully electrify its franchise area and extend its distribution lines to the remaining un-energized sitios located in the far flung areas. Due to the increase in the number of its consumers, the employees who have multiple tasks cannot anymore perform all their duties to the detriment of the consuming public;



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11. Due to this predicament, it is imperative that the proposed adjustment in payroll and O&M expenses should be provisionally granted as soon as possible in order for it to hire manpower to sustain its day-to-day operations;
12. The proposed cost for Reinvestment should also be provisionally approved by the Commission to enable it to continue its mandate of providing quality service to its consumers;
13. An affidavit of merit is attached to the application to support its prayer for provisional authority; and
14. It prays that upon initial evaluation of the instant application and while the case is pending, it be allowed to implement the proposed DSM rates presented hereunder, and after due notice and hearing, the proposed rate schedule be approved, as follows:

<b>Charges</b>	<b>Unit</b>	<b>Residential</b>	<b>Commercial</b>	<b>Communal Water System</b>	<b>Public Buildings</b>	<b>Street Light</b>
Distribution Charge						
Demand Charge	Per kW			16.50		
Distribution System Charge	Per kWh	2.3999	2.1550	0.5799	3.2035	5.4657
Supply Charge						
Retail Customer Charge	Per Customer/month		52.07	52.07	52.07	52.07
Supply System Charge	Per kWh	0.9902				
Metering Charge						
Retail Customer Charge	Per kWh meter/month	5.00	10.57	10.57	10.57	10.57
Meter System Charge	Per kWh	0.1060				

The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **February 25, 2015 (Wednesday) at two o' clock in the afternoon (2:00 P.M.) at BATANELCO's Office, Basco, Batanes.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules

of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with a copy of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 5th day of January, 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
MVA/NUS