

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. 2015-010 RC**

**FIRST CATANDUANES  
ELECTRIC COOPERATIVE, INC.  
(FICELCO),**

**Applicant.**

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**DOCKETED**  
Date: FEB 18 2015  
By: *W*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on January 20, 2015, First Catanduanes Electric Cooperative, Inc. (FICELCO) 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, FICELCO 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 Brgy. Marinawa, Bato, Catanduanes;
2. It was granted a franchise to operate an electric light and power distribution service in the Municipalities of Bagamanoc, Baras, Bato, Caramoran, Gigmoto, Panganiban, Pandan, San Andres, San Miguel, Viga, and Virac, all in the Province of Catanduanes;

3. On December 26, 2001, it filed with the Commission an application for approval of adjustment in its rates, docketed as ERC Case No. 2001-1008 RC, utilizing year 2001 as test year;
4. On July 25, 2003, the Commission approved its adjusted unbundled rates, as follows:

**UNBUNDLED RATE**

	Unit	Residential	Commercial	Public Building	Street Lights
<b>Distribution Charges:</b>					
Distribution System Charge	PhP/kWh	2.6381	2.0632	1.9369	4.6463
<b>Supply Charges:</b>					
Retail Customer Charge	PhP/Cust./mo.	-	-	-	-
Supply System Charge	PhP/kWh	0.7976	0.1763	0.0783	2.7719
<b>Metering Charges:</b>					
Retail Customer Charge	PhP/Cust./mo.	5.00	18.15	22.97	13.80
Metering System Charge	PhP/kWh	0.2634	-	-	-

5. It made a thorough review of its operations and has determined that its existing rates can no longer cope with the increasing demands of its operations;
6. The insufficiency of the rates is attributable to the following factors, to wit:
  - 6.a Increases in the cost of its operations over the years due to the expansion of its distribution system and the effects of inflation and other governmental requirements which are not provided for in its current unbundled rates.
  - 6.b The present 5% Reinvestment Fund is no longer sufficient to cover its capital expenditure requirement and the amortization of its loans with the National Electrification Administration (NEA) and other private banks after 2003. It has secured an additional loan from NEA in the amount of PhP2,454,776.08 and PhP20,520,111.59 last 2005, 2010 and 2011, respectively, and PhP40,000,000 in 2013-2014 from Security Bank to cover for the improvement of its distribution network.

6.c On May 14, 2013, NEA approved its Board of Directors Resolution No. 11, s. 2013, "Resolution Approving the Plan on the Re-alignment of the Cooperative's Workforce, that the Coop's Committee on Re-alignment Prepared". The approval had included the salary upgrading and the adoption of the maximum salary from PhP24,000 for Rank 20 and minimum monthly salary of PhP11,000 for Rank 1.

7. The filing of the instant application for rate adjustment is pursuant to the provisions of the R.A. 9136, 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."*

8. It prepared a proposed rate adjustment utilizing 2013 as test year and made use of the Cash Base Methodology under the Uniform Filing Requirements (UFR);
9. The proposed rates are designed and presented similar to the existing presentation of rates;
10. The proposed rate adjustment followed its existing customer classification to avoid cost relative to re-programming of the existing software used in its operation;
11. The Distribution, Supply and Metering (DSM) Rates includes the 5% Reinvestment Fund to be used for its capital expenditures. Shown below is its proposed rate and revenue:

**ERC CASE NO. 2015-010 RC**  
**NOTICE OF PUBLIC HEARING/February 16, 2015**  
**Page 4 of 10**

**PROPOSED RATE AND REVENUE**

		Proposed Rate	Proposed Revenue	
<b>Residential</b>				
kWh Sold	22,346,373	Distribution Charge(PhP/kWh)	3.0852	68,943,031
Customers	40,511	Supply Charge (PhP/kWh)	1.0129	22,635,042
		Metering Charge		
		PhP/meter/month	5.00	2,430,660
		PhP/kWh	0.7409	16,556,542
<b>Total Revenue-Residential</b>			<b>110,565,275</b>	
<b>Commercial</b>				
kWh Sold	7,033,486	Distribution Charge(PhP/kWh)	0.9108	6,406,170
Customers	2,030	Supply Charge (PhP/cust./mo.)	46.56	1,134,238
		Metering Charge (PhP/meter/mo.)	39.06	951,446
<b>Total Revenue-Commercial</b>			<b>8,491,854</b>	
<b>Public Buildings</b>				
kWh Sold	4,492,214	Distribution Charge (PhP/kWh)	0.8742	3,926,944
Meters	1,169	Supply Charge (PhP/cust./mo)	46.56	653,165
		Metering Charge (PhP/meter/mo.)	39.06	547,902
<b>Total Revenue-Public Buildings</b>			<b>5,128,011</b>	
<b>Street Lights</b>				
kWh Sold	650,454	Distribution Charge (PhP/kWh)	2.1466	1,396,241
Meters	384	Supply Charge (PhP/cust./mo)	46.56	214,555
		Metering Charge (PhP/meter./mo.)	39.06	179,978
<b>Total Revenue-Street Lights</b>			<b>1,790,774</b>	
kWh Sold	34,522,527	<b>TOTAL REVENUE</b>		<b>125,975,913</b>
Customers	44,094			

12. Based on the proposed rates and revenue, it is seeking approval of the proposed revenue requirement for its unbundled rates per cost component, as follows:

**SUMMARY OF PROPOSED REVENUE REQUIREMENT PER COST COMPONENT**

PARTICULARS	TOTAL COMPANY (PhP) (1)	ELECTRIC ADJUSTMENT (PhP) (2)	PROPOSED REVENUE REQUIREMENT (PhP) (1 + 2)
Payroll	34,981,049	6,097,040	41,078,089
Operation & Maintenance (less Fuel, PP & Payroll)	45,151,996	2,883,009	48,035,005
Debt Service	19,108,554		19,108,554
Reinvestment	19,396,472		19,396,472
<b>SUB-TOTAL</b>	<b>118,638,071</b>		<b>127,618,120</b>
Less: Other Revenue Items (ORI)	1,642,206		1,642,206
<b>TOTAL REVENUE REQUIREMENT</b>	<b>116,995,865</b>	<b>8,980,049</b>	<b>125,975,914</b>

13. The cost components presented are as follows, to wit:

**13.a Payroll**

It is comprised of the basic salary of existing employees including the employer's share for SSS, PhilHealth and PAG-IBIG, and 13<sup>th</sup> month pay. The adjustment represents the normalization of the salary increase that was implemented in last May 2013, as well as the salaries of additional employees who were hired after the 2013 test year pursuant to the 2013 NEA approved plantilla/positions.

**13.b Operations and Maintenance**

The operations and maintenance 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 the normal operation of the cooperative.

The adjustment represents the annual retirement provision equivalent to one (1) month total salary as adjusted.

**13.c Uncollectible Accounts**

There was no provision for uncollectible accounts as of 2013. The adjustment represents 1% of the total outstanding consumer accounts receivable and reinvestment fund.

**13.d Debt Service**

Details of the loans acquired from NEA and Security Bank are as follows:

Type of Loan	Outstanding Balance	LOAN AMORTIZATION	
		EQA	TOTAL
RE-Loan – F	3,182,960	163,036	652,144
RE-Loan – G	8,004,959	410,024	1,640,096

**ERC CASE NO. 2015-010 RC**  
**NOTICE OF PUBLIC HEARING/February 16, 2015**  
**Page 6 of 10**

RE-Loan – H	1,344,541	68,870	275,480
RE-Loan – I	3,749,026	173,202	692,808
OECF RE	60,980	3,077	12,308
CALAMITY RESTRUCTURED LOANS	23,841,870	2,457,199	9,828,796
	40,184,336	3,275,408	13,101,632
Bank Loan-	20,000,000	750,865	3,003,461
	20,000,000	750,865	3,003,461
<b>GRAND TOTAL</b>		<b>4,777,139</b>	<b>19,108,554</b>

**13.e Reinvestment Fund**

The 5% Reinvestment Fund shall be utilized to finance line expansion, rehabilitation and upgrading of its existing electric distribution system. Shown below is the computation of the Reinvestment Fund, to wit:

Actual Sales-kWh	34,212,225	
Annualized Sales-kWh	34,522,526	
Power Cost-December 31, 2013 AGRA		6.4810
System Loss Rate		1.0309
Payroll	41,078,089	1.201
O&M Less Payroll	48,035,005	1.4040
Debt Service	19,108,554	0.5585
Total	108,221,648	10.6751
Divided by 95% of Total		11.2370
Less: Total		10.6751
Reinvestment Rate Per kWh		0.5618
Reinvestment Rate Revenue		19,396.472
5% Reinvestment Rate		0.5618

**13.f Other Revenue Items (ORI)**

The Other Revenue Items at the end of 2013 totaling Php2,971,755 represents reconnection fees, penalties on late payments of power bills, service charges, penalties on illegal reconnection and others. 50% of the ORI derived from electric-related assets were deducted in computing the total revenue requirement following previous treatments of said account.

14. Lifeline Rate and Level - It shall maintain the current graduated scale for marginalized residential customers to be applied to Generation, System Loss, Distribution, Supply and Metering Charges, as follows:

**Lifeline Discount Rate**

KWH	DISCOUNT RATE (%)
-15kWh and below	20
16	15
17	10
18	10
19	5
20	5

The said discount shall be implemented following the prescribed formula in computing lifeline subsidy rate to be charged to non-lifeline customers.

15. Other Charges - It shall continue to implement the existing Other Charges per its approved unbundled rates. Further, it shall adopt the charges imposed under R.A. 7832 otherwise known as the Anti-Pilferage Act;
16. In support of the application it has submitted the following documents:

Annex	Nature of Document
E 1-2	Volume I -Rate Computations Using UFR Model
F 1-5	Volume II-VI - Supporting Documents and Schedules consisting of Working Trial Balance as of December 31, 2013; Expense Schedules; Frequency Distribution; Loan Profile as of 2013 and other pertinent documents.

17. The rates which were based on 2013 as test year, were no longer responsive to the demands of its operations as manifested by the losses it incurred from 2005-2013 except for 2010 where it posted a very minimal net income;

18. The issuance of the final decision on loan condonations had further aggravated its financial viability to cope the required operational standards as mandated by the industry;
19. Furthermore, it is currently implementing the approved capital expenditures plan to improve the reliability of the distribution had encountered delays in the implementation due to insufficient reinvestment fund to finance the labor cost in the rehabilitation of distribution lines;
20. It prays that the Commission issue an order allowing it to implement the proposed rates to enable it to pursue and sustain the operations;
21. In compliance with the pre-filing requirements, it is submitted the following documents, to wit:

<b>Annex</b>	<b>Nature of Document</b>
A	FICELCO Board Resolution authorizing the filing of the application
B	Judicial Affidavit in Support of the Prayer for Provisional Authority
C1&2	Proof of furnishing copies of the application to the Sangguniang Bayan of Bato and Sangguniang Panlalawigan of the Province of Catanduanes
D1&2	Publication of the Application in a newspaper of general circulation in FICELCO's franchise area, with Affidavit of Publication

22. It prays that after due notice and hearing, the Commission issue an order allowing it to implement the proposed Distribution, Supply and Metering (DSM) Rates for all customer types, as shown below, and said rates be approved accordingly:



**ERC CASE NO. 2015-010 RC**  
**NOTICE OF PUBLIC HEARING/February 16, 2015**  
**Page 9 of 10**

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<b>Rate Charges (PhP)</b>	<b>Unit</b>	<b>Residential</b>	<b>Commercial</b>	<b>Public Bldg.</b>	<b>Street Light</b>
Distribution Charges Distribution System Charge	PhP/kWh	3.0852	0.9108	0.8742	2.1466
Supply Charges Retail Customer Charge	PhP/ customer/mo.		46.56	46.56	46.56
Supply System Charge	PhP/kWh	1.0129			
Metering Charge Retail Customer Charge	PhP/Meter/mo.	5.00	39.06	39.06	39.06
Metering System Charge	kWh	0.7409			

The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **March 12, 2015 (Thursday) at two o' clock in the afternoon (2:00 P.M.) at FICELCO's Office, Brgy. Marinawa, Bato, Catanduanes.**

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 16<sup>th</sup> day of February, 2015 at Pasig City.

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