

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



IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE SALE FOR RESALE AGREEMENT BETWEEN THE SULTAN KUDARAT ELECTRIC COOPERATIVE, INC. (SUKELCO) AND SOUTH COTABATO II ELECTRIC COOPERATIVE, INC. (SOCOTECO II), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2017-103 RC

SULTAN KUDARAT ELECTRIC COOPERATIVE, INC. (SUKELCO) AND SOUTH COTABATO II ELECTRIC COOPERATIVE, INC. (SOCOTECO II),

Applicants.

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DOCKETED
Date: MAR 21 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 09 November 2017, Sultan Kudarat Electric Cooperative, Inc. (SUKELCO) and South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an Application seeking the Commission's approval of their sale for resale agreement, with prayer for the issuance of a provisional authority.

In their Application, SUKELCO and SOCOTECO II alleged the following:

THE PARTIES

1. Applicant Sultan Kudarat Electric Cooperative, Inc., (SUKELCO) is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at National Highway, Tacurong City, Sultan Kudarat;
2. SUKELCO holds an exclusive franchise from the National Electrification Commission to operate an electric light and power service in the City of Tacurong and the municipalities of Isulan, Esperanza, Bagumbayan, Pres. Quirino, Lambayong (formerly Mariano Marcos), Columbio, Palimbang, Senator Ninoy Aquino, Lebak, and Kalamansig, all in the Province of Sultan Kudarat and the municipalities of Buluan, Datu Paglas, General S.K. Pendatun and Paglat, all in the Province of Maguindanao;
3. Applicant South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) is a non-stock, non-profit electric cooperative duly organized and existing under the laws of the Republic of the Philippines with principal address at J. Catolico, Sr. Avenue, Lagao, General Santos City, South Cotabato;
4. SOCOTECO II holds an exclusive franchise from the National Electrification Commission to operate an electric light and power service in the City of General Santos and the Municipalities of Alabel, Glan, Kiamba, Maasim, Maitum, Malapatan and Malungon, all in the Province of Sarangani, and Municipalities of Polomolok and Tupi, in the Province of South Cotabato.

LEGAL BASIS FOR THE APPLICATION

5. Pursuant to ERC Resolution 02, Series of 2009 dated January 26, 2009 otherwise known as the "***Rules for Recovery of Costs Associated with the Sale for Resale Agreements***" ***By, Between or Among Distribution Utilities***" as well as other pertinent laws, rules and regulations, this Joint Application is being submitted to this Honorable Commission for its due consideration and approval of the Sale for Resale Agreement executed by and between SUKELCO and SOCOTECO II.

STATEMENT OF FACTS

6. The municipality of Palimbang, though within the franchise area of SUKELCO, is isolated from the cooperative's on-grid distribution system. Initially, the municipality of Palimbang is solely taking power from National Power Corporation-Small Power Utilities Group (NPC-SPUG) under its missionary electrification program while the distribution system is operated by SUKELCO.

7. Palimbang is geographically closer to one of the substations of SOCOTECO II located at the municipality of Kiamba. In year 2010, SUKELCO managed to source another power supplier for Palimbang from SOCOTECO II to supply its barangays near SOCOTECO II's distribution system. The connection of SUKELCO's distribution system to SOCOTECO II was considered Residential with a primary metering installation at Brgy. Pinol, Maitum, Sarangani;
8. Currently, sixteen (16) barangays of Palimbang, namely: Badiangon, Tibuhol, Poblacion, Akol, Mina, Dumolol, Medol, Langali, Ligao, Malatunol, Maganao, Kidayan, Kesik, Namat Masla, Kiponget, and Wasag are supplied by NPC-SPUG operating at sixteen (16) hours a day while eighteen (18) barangays, namely: Malisbong, Kraan, Kabuling, Lumitan, Kolong-Kolong, Libua, Colobe, Butril, Baliango, Maguid, San Roque, Milbuk, Kanipaan, Napnapon, Barongis, Wal, Lupoken and Baranayan of Palimbang are taking power supply from SOCOTECO II for twenty-four (24) hours a day. The barangays of Balwan and Kalibuhan are connected to another off-grid system of SUKELCO, the Sen. Ninoy Aquino while the remaining barangays of Datu Maguiales, Banbanen, Molon and Batang Baglas are energized through Solar Home System;
9. In terms of calculation of SUKELCO's retail rates to its consumers connected to the NPC-SPUG, the generation cost is based on the power bill from NPC-SPUG while for consumers connected to SOCOTECO II, the power bill of SOCOTECO II is combined with the calculation of generation rate for the on-grid system of SUKELCO. Thus, the same generation rate is charged to those connected to its on-grid system and those connected to SOCOTECO II. SUKELCO's approved Distribution, Supply, Metering charges are charged to all consumers regardless of their connection and power source. The Sale for Resale Agreement subject of the instant application considers the connections of SUKELCO in Palimbang as Residential customers of SOCOTECO II since majority of the customers in Palimbang are residential in nature.
10. With the continuous Barangay and Sitio electrifications, SUKELCO intends to connect the whole municipality of Palimbang to the distribution system of SOCOTECO II upon consideration of its technical feasibility such as capacity, safety, power quality, reliability, and system loss. The subject Sale for Resale Agreement will allow SUKELCO to connect the portion of Palimbang operating at sixteen (16) hours per day to the distribution system of SOCOTECO II to have a stable supply of twenty-four (24) hours per day. Being so, SUKELCO deemed it more beneficial to its customers in the whole municipality of Palimbang to source power from SOCOTECO II for resale to all end-users in the whole municipality of Palimbang, so that all said end-users are

assured of a continuous, stable, reliable and efficient supply of electricity.

11. Accordingly, SUKELCO offered to buy and SOCOTECO II agreed to sell power for distribution in the municipality of Palimbang under mutually beneficial terms, and on May 11, 2016, the parties have entered into a Sale for Resale Agreement, subject of the instant application.

**SALIENT FEATURES OF THE SALE FOR
RESALE AGREEMENT**

12. The salient features of the Agreement are as follows:

OBLIGATIONS OF SOCOTECO II:

- a. SOCOTECO II shall ensure sufficient supply for the electricity requirement of SUKELCO for the latter's member-consumers located at the municipality of Palimbang in such determined volume;
- b. SOCOTECO II shall sell and deliver electric power and energy to SUKELCO at the Delivery Point located at Brgy. Pinol, Maitum, Sarangani;
- c. SOCOTECO II shall be the owner of all assets/facilities installed from its substation down to the specified Delivery Point excluding the primary metering equipment and shall be responsible for its operation and maintenance and any necessary improvements;
- d. The reading of the billing meter shall be done by SOCOTECO II every 26th day of the month. The Statement of Account shall then be transmitted by SOCOTECO II to SUKELCO not later than the 5th day of the succeeding month via email, courier or facsimile;
- e. The selling rate to be charged by SOCOTECO II to SUKELCO shall be the summation of SOCOTECO II's generation, transmission and allowable system loss rates, the wheeling rate and other pass-thru charges approved by the Energy Regulatory Commission (ERC). The wheeling rate shall be composed of the distribution, supply, and metering costs of SOCOTECO II.
- f. SUKELCO is categorized as Residential customer of SOCOTECO II and will be charged based on the latest approved ERC wheeling rates for this customer class;
- g. SOCOTECO II shall not include its RFSC, Universal Charges, Lifeline Rates or other subsidies in its selling rates to SUKELCO since these are charges imposable only on electricity end-users and SUKELCO cannot be treated as such. Hence, on matters referring to Universal Charges, SOCOTECO II shall make the necessary representations to

the PSALM of this Sale for Resale Agreement transaction that are exempted from such charges.

OBLIGATIONS OF SUKELCO:

- a. SUKELCO shall prepare the necessary equipment and line hardware to ensure that the distribution line is readily available to accept electricity delivered by SOCOTECO II at the Delivery Point;
- b. SUKELCO shall install the necessary primary metering equipment at the Delivery Point and shall be responsible for the replacement of this primary metering equipment when damaged by accident or force majeure or through ordinary wear and tear;
- c. SUKELCO shall be the owner of all assets/facilities installed from the specified Delivery Point including the primary metering equipment down to its distribution system and shall be responsible for its operation and maintenance and any necessary improvements;
- d. SUKELCO shall settle its monthly bill within ten (10) calendar days from receipt of the Statement of Account, by depositing the payment to the designated bank account of SOCOTECO II;
- e. The retail rates which SUKELCO shall impose upon its customers in the area/s served or to be served under this Agreement, shall consist of the cost for purchased power, allowable system loss, distribution, supply and metering for electric service, including RFSC and other pass-through charges approved by the Energy Regulatory Commission. The selling rate imposed upon SUKELCO shall be recoverable and, for this purpose, shall be included in its allowable generation charge imposable on its customers in the area/s served or to be served under this Agreement;
- f. That SUKELCO must submit notice of scheduled power interruption to SOCOTECO II one (1) week prior to the scheduled date of implementation and vice versa.

**IMPACT ON THE OVERALL SELLING RATES OF SOCOTECO II AND
RETAIL RATES OF SUKELCO**

13. In compliance with Section 2 "*Selling Rates*", Article III of ERC Resolution No. 02, Series of 2009 and Section 1.7 "*Obligations of SOCOTECO II*" of the Sale for Resale Agreement, the proposed selling rates of SOCOTECO II to SUKELCO excludes the RFSC Charge, Universal Charges, Lifeline Rates, or other subsidies.
14. On the other hand, the proposed retail rates of SUKELCO is consistent with Section 2.5 "*Obligations of SUKELCO*" of the Sale for Resale Agreement only that the purchased

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power/generation cost is based solely on the power bill of SOCOTECO II.

15. In the calculation of proposed monthly selling and retail rates for the year 2017, the actual charges for the months of 2016 were the bases of calculation incorporating the changes stated in the Sale for Resale Agreement and the forecasted energy requirement considering that the barangays currently connected to the NPC-SPUG shall be connected to SOCOTECO II. The Proposed rate impact on the monthly selling rates of SOCOTECO II and the monthly retail rates of SUKELCO are as follows:

a. Proposed Impact on SOCOTECO-II's Selling Rates

Actual, Proposed and Impact on SOCOTECO II's Selling Rates (PhP/kWh)														
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave	Ref
2016 Actual Selling Rates	8.03	8.11	7.33	7.69	6.62	8.61	8.34	9.02	9.01	8.22	9.19	8.47	8.22	Annex AA
2017 Proposed Selling Rates	7.54	7.61	6.83	7.11	6.05	8.03	7.74	8.42	8.41	7.62	8.59	7.87	7.65	Annex AA
Difference (Proposed less Actual)	(0.50)	(0.50)	(0.49)	(0.58)	(0.57)	(0.58)	(0.60)	(0.60)	(0.61)	(0.60)	(0.61)	(0.60)	(0.57)	Annex-AA

b. Proposed Impact on SUKELCO's Retail Rates

Actual and Proposed SUKELCO Retail Rates (PhP/kWh)														
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave	Ref
NPC-Palimbang (2016 Actual)	7.44	7.40	7.40	7.43	7.41	7.43	7.56	7.56	7.57	7.57	7.58	7.56	7.49	Annex O
SOC-II Malisbong (2016 Actual)	8.36	9.06	10.18	10.04	10.13	9.53	9.66	10.30	9.90	9.17	9.69	9.19	9.60	Annex O
Whole Palimbang (Proposed 2017)	10.36	10.18	10.21	9.36	9.81	8.76	10.91	10.67	11.46	10.50	10.69	11.72	10.41	Annex O

Impact on SUKELCO's Retail Rates (Proposed Less Actual) ---> Increase / (Decrease)														
Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Ave	Ref
NPC-Palimbang Customers	2.92	2.77	2.81	2.20	2.40	1.33	3.35	3.11	3.90	2.93	3.12	4.16	2.92	Annex O
SOC-II Malisbong Customers	2.00	1.11	0.03	(0.41)	(0.32)	(0.78)	1.25	0.38	1.57	1.34	1.00	2.53	0.81	Annex O

**SUBMISSION OF DOCUMENTARY AND
PRE-FILING REQUIREMENTS**

16. In compliance with the documentary requirements for the application, copies of the following documents are being submitted herewith and attached hereto to form integral parts hereof, as follows:

ANNEX MARKINGS	NATURE OF DOCUMENTS
A	Sale for Resale Agreement between SUKELCO and SOCOTECO II dated May 11, 2016
B	SUKELCO's Board Resolution authorizing the execution of the Sale for Resale Agreement with SOCOTECO II
C	SUKELCO's Board Resolution authorizing the Joint Filing of the Application for the Sale for Resale Agreement with SOCOTECO II
D	SOCOTECO II's Board Resolution authorizing the execution of the Sale for Resale Agreement with SUKELCO
E	SOCOTECO II's Board Resolution authorizing the Joint Filing of the Application for the Sale for Resale Agreement with SUKELCO
F	SUKELCO's Certificate of Franchise issued by the National Electrification Commission
G	Actual Calculation of SUKELCO's retail rates per customer type per month for the year 2016 for Palimbang under SOCOTECO II
H	Actual Calculation of SUKELCO's retail rates per customer type per month for the year 2016 for Palimbang under NPC SPUG
I	Actual Power Bills of SUKELCO per supplier per month for the year 2016 for Palimbang under SOCOTECO II
J	Actual Power Bills of SUKELCO per month for the year 2016 for Palimbang under NPC SPUG
K	Actual Consumer Sample Bills of SUKELCO per customer type per month for the year 2016 for Palimbang under SOCOTECO II
L	Actual Consumer Sample Bills of SUKELCO per customer type per month for the year 2016 for Palimbang under NPC SPUG

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M	Proposed Calculation of SUKELCO's retail rates per customer type per month for the year 2017 for Palimbang Sale for Resale
N	Projected Power Bills of SUKELCO from SOCOTECO II per month for the year 2017 for Palimbang Sale for Resale
O	Existing and Proposed Unbundled Retail Rates of SUKELCO
P	Initial DSM Rate Caps for SUKELCO (Group D) and SOCOTECO II (Group G)
Q	Customer profile of the target consumers for the year 2016
R	MFSR (Sections B and E) of SUKELCO for the year 2016
S	Audited Financial Statements of SUKELCO for the year 2016
T	Single Line Diagram of SUKELCO's distribution system in the Municipality of Palimbang
U	SOCOTECO II's Certificate of Franchise issued by the National Electrification Commission
V	Actual Calculation of SOCOTECO II's retail rates per customer type per month for the year 2016
W	SOCOTECO II's actual selling rates per customer type per month for the year 2016
X	Actual Power Bills of SOCOTECO per supplier per month for the year 2016
Y	Actual Consumer Sample Bills of SUKELCO per customer type per month for the year 2016 for Palimbang under SOCOTECO II
Z	SOCOTECO II's proposed selling rates to SUKELCO per month for the year 2017 for Palimbang Sale for Resale (Residential only)
AA	Existing and Proposed Unbundled Selling Rates of SOCOTECO II to SUKELCO
BB	MFSR (Sections B and E) of SOCOTECO II for the year 2016

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CC	Audited Financial Statements of SOCOTECO II for the year 2016
DD	Single Line Diagram of SOCOTECO II's distribution system connected to the Municipality of Palimbang
EE	Judicial Affidavit in Support of the Motion for Provisional Authority
FF and series	Proof of furnishing copies of the Joint Application to the Sangguniang Panlungsod of Tacurong City, Sangguniang Panlalawigan of Sultan Kudarat, Sangguniang Panlungsod of General Santos City and Sangguniang Panlalawigan of South Cotabato
GG and series	Proof of publication of the Joint Application in a newspaper of general circulation in the franchise areas of SUKELCO and SOCOTECO II

ALLEGATIONS IN SUPPORT OF THE
MOTION FOR PROVISIONAL AUTHORITY

17. Applicants replead the above allegations in support of their prayer for issuance of a provisional authority during the pendency of the application;
18. To emphasize, the inhabitants of the sixteen (16) barangays of Palimbang being supplied by the NPC-SPUG have been bearing with sixteen (16) hours a day electricity, leaving them very much behind in terms of benefits of modern technology;
19. SUKELCO has completed the construction of lines and installation of facilities that should properly set the whole municipality of Palimbang for a 24/7 operation.
20. The immediate delivery of services by SUKELCO to its end-users in Palimbang will be most beneficial to the latter who will be assured of a continuous, reliable and efficient electric service they have long been dreaming of;
21. Further, the immediate connection of the whole municipality of Palimbang to the main power lines could generate significant and focused economic investment and intervention in the community.
22. Hence, this prayer for provisional authority, to implement the Sale for Resale Agreement while the application is pending evaluation of the Honorable Commission.

PRAYER

WHEREFORE, premises considered, Joint Applicants SUKELCO and SOCOTECO II respectfully pray of this Honorable Commission that:

1. Upon initial review of the instant Joint Application and pending evaluation thereof, this Honorable Commission issue an **Order** granting provisional authority for the Joint Applicants to implement the provisions of the Sale for Resale Agreement; and
2. After trial on the merits, a permanent approval of the Sale for Resale Agreement be granted.

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

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **21 June 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at SUKELCO's Main Office in National Highway, Tacurong City, Sultan Kudarat.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

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 case may file their Opposition or Comment thereon at any stage of the proceeding before Applicants rest their case, subject to the requirements under Rule 9 of the 2006 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 and address of such person;
2. A concise statement of the Opposition or Comment; and
3. The grounds relied upon.

All such persons who wish to have a copy of the Application may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 6th day of March 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal