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PHILIPPINE RURAL ELECTRIC COOPERATIVES ASSOCIATION, INC.
— *The Philippines' Electric Cooperatives* —

21 May 2023
COMMS-2023-153

HON. ANTONIO MARIANO ALMEDA

Administrator

National Electrification Administration
57 NEA Building, NIA Road, Government Center
Diliman, Quezon City

Dear *Admin. Almeda*:


Greetings of Peace and Solidarity from PHILRECA!

Respectfully forwarding herewith our organization's POSITION PAPER on the NEA Memorandum No. 2015-055, Otherwise Known as the Standard Joint Pole Agreement and Pole Rental Rates

Thank you and we look forward to your positive accommodation of these comments.

Respectfully yours,


ATTY. JANEENE DEPAY-COLINGAN
Executive Director/General Manager


JOSE LITO P. YAP
President



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POSITION PAPER

ON NEA MEMORANDUM NO. 2018-055 "STANDARD JOINT POLE AGREEMENT AND POLE RENTAL RATES"

The Standard Pole Agreement (SPA) and pole rental rate established by the National Electrification Administration (NEA) are essential elements in governing the installation, maintenance, and use of distribution poles by electric cooperatives (ECs). This position paper aims to analyze both the SPA and the pole rental rate and provide recommendations to optimize their effectiveness in supporting the sustainable development and operations of ECs.

MAIN ISSUE RAISED BY STAKEHOLDERS

- To lower the cost of Pole Rental per Annum

First of all, we would like to note that as far as the amount is concerned, we understand that NEA's proposal regarding the amount to be charged (Php 420.00 per cable position per year) as pole rental was based on a computation with the following assumptions (Standard Joint Pole Agreement approved on July 25, 2018 during the NEA Board of Administrators meeting):

- No provision for return on investment (ROI) for the distribution utility;
- 20 years to recover the pole investment with 7 cable attachments, given 20% share in cost of investment for the cable TV and telecommunications operators

Given the simulation/computation made by NEA together with PHILATMEC, we know that Php 420.00 is not drafted from thin air. On the other hand, the proposed amount by FICTAP is not only significantly lower than the approved Php 420.00 but actually lower than the previous rate, which is at Php 313.60 per cable position per annum. If we are to approve the proposal, there would be an impact on the needed number of cable attachments and/or extension in the period (years) of recovery. This is our main concern as far as the FICTAP's proposal is concerned.

But in addition to the above, may we provide you with some observations and related comments with regard to the subject. These are mostly from our member-electric cooperatives who raised their concerns to us on the matter.

1. Other facilities installed on poles



- What will be the type of attachments to be charged? Is it the trunk line only or? If yes, then other facilities such as but not limited to Terminal Boxes, Network Access Panels, Power Supplies, and Drop Wires shall also be charged. With the proposal of FICTAP to lower the cost, the NEA might also consider including other facilities for the imposition of pole rental charges.

2. Classification of Cities and Municipalities

- In the FICTAP proposal, they made a distinction on the rate of payment if the operator is from a municipality or a city. Our concern here is that the cost of pole investment for the EC does not change whether you are in a municipality or a city. Since the aforementioned cost does not vary, may we suggest that it should be the cable TV and telecommunications operators who should adjust in the EC's circumstances and factor this in in their business model, not the other way around.

3. Non-compliance of cable and other operators renting our poles

- Not just once or twice did we receive complaints and feedback from member electric cooperatives that some of the operators do not comply with the agreements/contracts of the pole rental. As a virtue of good faith, may we request the organization of cable TV and telecommunications operators to settle/address the concerns the soonest.

4. Related concerns by the electric cooperatives

- Below are relevant concerns that our member-electric cooperatives would like to raise to FICTAP:
 - i. ***Unscheduled interruption due to hooked cables*** – Non-observance of appropriate clearances causes the line to be hooked by vehicles, thus, causing unscheduled interruption and damaged electrical facilities
 - ii. ***Unmaintained cable attachments*** – Unusable and old lines are not being retired despite proper communication. This affects the climbing space of our crew during maintenance and troubleshooting activities. The proper installation of cables should be incumbent upon the cable owner and the pole owner need not call its attention from time to time.
 - iii. ***Unauthorized and improper installations*** – The coop as to call the attention of cable owners due to unauthorized attachments. The standard installation of service line is also



not properly observed leaving all the cables messy and cluttered.

- iv. ***Other unauthorized facilities installed on poles*** – Other facilities such as terminal boxes network access panels, and power supplies are attached in the poles, which affect the climbing space of linemen.
- v. ***Pole relocation/rehabilitation challenges*** – In many areas, new poles were already installed but due to attached communication / cable lines, the old poles were not retired.
- vi. ***Continuous disregard on letters and advisories*** – The coop has always appealed to communication/cable owners to provide feedback on advisories, but these are almost always disregarded.
- vii. ***Maintenance of cable attachment*** – Cable providers fail to maintain/transfer their cables even after several notices, thus, preventing the EC from implementing the necessary maintenance for such distribution line in general, and electric post in particular.

THE FEES THAT THE EC CHARGE FOR ATTACHMENTS REFLECT THE UNIQUE GEOGRAPHIC AND DEMOGRAPHIC CHARACTERISTICS OF EACH SERVICE AREA, BUT IN EVERY CASE PROVIDE ENORMOUS COST SAVINGS TO CABLE AND COMMUNICATION OPERATORS RATHER THAN PUTTING UP THEIR OWN POLES.

RECOMMENDATIONS:

To further optimize the Standard Pole Agreement and pole rental rate for the benefit of electric cooperatives and other stakeholders, the following suggestions are proposed:

1. Stakeholder Consultation

NEA should conduct a comprehensive consultation process involving ECs, and other relevant stakeholders. This collaborative approach will ensure that concerns and perspectives are considered, leading to a more inclusive and well-rounded revision of the memorandum.

2. Cost Analysis and Transparency

NEA should conduct a transparent cost analysis to determine the appropriate pole rental rate. This analysis should consider the costs of pole procurement, installation, maintenance, replacement, and associated administrative and



operational expenses. A clear and transparent methodology will foster confidence and trust among ECs regarding the fairness of the rental rate.

- **Data Collection** - Gather accurate and comprehensive data related to pole costs, including procurement expenses, installation costs, ongoing maintenance and repair expenditures, and projected replacement costs.
- **Cost Breakdown** - Analyze the collected data to break down the various cost components associated with poles. This includes identifying the direct costs of pole procurement and installation and ongoing operational and maintenance expenses. Consider both the capital costs and the recurring fees over the life cycle of the poles.
- **Simulation Modeling** - Utilize simulation techniques to assess the impact of different cost factors on the rental rate. Simulate scenarios with factors such as pole lifespan, maintenance schedules, and replacement cycles to evaluate their influence on the overall cost and rental rate. This simulation-based approach can provide valuable insights into cost variations and assist in determining a fair and sustainable rental rate.
- **Cost Allocation** - Develop a methodology for allocating costs across ECs based on their usage and benefit from the poles. This may involve considering factors such as the number of attached cables, the length of use, and the number of subscribers served. The allocation methodology should be transparent and easily understandable by all stakeholders.

3. Differential Rental Rates

NEA should explore the implementation of differential rental rates based on the varying capacities and resources of ECs and their service areas. Considerations such as consumer density, income levels, and regional economic conditions can be taken into account to provide fair and customized rental rates that align with the specific circumstances of each EC.

4. Regular Review and Consultation

NEA should conduct periodic reviews of the pole rental rate to ensure its alignment with prevailing economic conditions and industry benchmarks. This review process should involve consultation with ECs, industry experts, and other stakeholders to gather feedback and insights on the impact of the rental rate and identify improvement areas.



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5. Re-evaluate the Pole Rental Rate Formula

Considering the following factors: *Depreciation Cost, Real Property Tax, Easement Fees, Typhoon, and Inflation Rate* by doing this:

- Data Collection and Analysis - Gather relevant data on depreciation costs, real property tax rates, easement fees, historical typhoon-related costs, and inflation rates. Analyze this data to understand the impact of each factor on the overall cost structure of ECs.
- Formula Development - Develop a revised formula that incorporates the identified factors. Assign appropriate weightage and considerations to each factor based on their significance and impact. This will create a balanced and realistic formula that accurately reflects the costs associated with pole infrastructure.
- Sensitivity Analysis - Conduct sensitivity analysis to understand the potential variations in the rental rate based on changes in each factor. This analysis will provide insights into how adjustments in factors such as depreciation cost, real property tax, easement fees, typhoon preparedness, and inflation rates affect the rental rate.

6. Proper Housekeeping of Attachments

By prioritizing proper housekeeping practices, cable and telecommunication companies can enhance accessibility, safety, asset protection, visual aesthetics, and customer satisfaction. This commitment to maintaining a clean and organized environment reflects professionalism, reliability, and a customer-centric approach to service delivery.

7. Penalties

To ensure accountability and responsible behavior from cable and telecommunications operators, NEA should implement penalties for damages caused to poles due to low-lying cables. If it is proven that the operators are at fault, they should be held financially liable for the damages. This approach promotes safety, encourages responsible installation and maintenance practices, and incentivizes operators to take necessary precautions to prevent pole damage.

We kindly request the opportunity to submit a supplemental paper that includes a simulation of the formulation of the Pole Rental Rate, taking into account the factors mentioned above. By conducting a comprehensive analysis and simulation, we aim to



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provide valuable insights into the appropriate methodology for determining a fair and reasonable Pole Rental Rate.

WE HOPE THAT WE WILL NOT ONLY TRY TO ADDRESS THE ISSUE ON RATE OF RENT BUT LOOK INTO THE COMPLIANCE OF ALL PARTIES ON THE PROVISIONS OF THE AGREEMENT FOR A LASTING AND MORE PRODUCTIVE PARTNERSHIP BETWEEN THE ECS AND THE CABLE TV AND TELECOMMUNICATIONS OPERATORS.