

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



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
THE MAXIMUM AVERAGE PRICE
FOR THE 4TH REGULATORY YEAR
OF THE 2ND REGULATORY PERIOD
(MAP₂₀₁₁)**

ERC CASE NO. 2010-024 RC

**CAGAYAN ELECTRIC POWER AND
LIGHT COMPANY, INCORPORATED
(CEPALCO),**

Applicant.

X-----X

D O C K E T E D

Date: JUL 29 2010

By: _____

D E C I S I O N

Before the Commission for resolution is the application filed on March 29, 2010 by Cagayan Electric Power and Light Company, Incorporated (CEPALCO) for approval of its Maximum Average Price (MAP) for the Fourth (4th) Regulatory Year of the Second Regulatory Period (MAP₂₀₁₁).

In the said application, CEPALCO alleged, among others, that:

1. It is a corporation duly organized and existing by virtue of the laws of the Philippines. It is the exclusive franchise holder issued by Congress of the Philippines to operate an electric light and power services in the City of Cagayan de Oro and the Municipalities of Tagoloan, Villanueva and Jasaan, all in the Province of Misamis Oriental;
2. It is an entrant at First Entry Point (Group A entrants) to the Performance-Based Regulation (PBR) rate setting methodology with Final Determination (FD) issued to it in a Decision dated September 12, 2007 relative to its application for approval of its Annual Revenue Requirement (ARR) and Interim Performance

Incentive Scheme (PIS) for the Second Regulatory Period covering July 1, 2007 to June 30, 2011 in ERC Case No. 2006-041RC;

3. Following the guidelines governing the PBR for entrant distribution utilities, "Rules in Setting Distribution Wheeling Rates" (RDWR), it filed an application before this Commission for approval of its conversion of the approved Maximum Average Price (MAP) for the Regulatory Year 2008 (MAP₂₀₀₈) into its distribution rate structure, docketed as ERC Case No. 2008-002 RC. Under the said guidelines, it filed for approval of its MAP for Regulatory Year 2009 (MAP₂₀₀₉) covering the period July 1, 2008 to June 30, 2009 and Regulatory Year 2010 (MAP₂₀₁₀) covering the period July 1, 2009 to June 30, 2010, both docketed as ERC Case Nos. 2008-014 RC and 2009-017 RC, respectively;
4. Following the same requirement, it is now filing this application for approval of its MAP for Regulatory Year 2011 (MAP₂₀₁₁), the last Regulatory Year for the 2nd Regulatory Period, which will cover the period July 1, 2010 to June 30, 2011;
5. Based on the pricing formula prescribed in Section 4.2.1(b) of the amended RDWR, the MAP₂₀₁₁ is determined to be in the amount of PhP2.8194/kWh, computed as follows:

$$MAP_{2011} = MAP_{2010} \times (CWI_{2011} - X) - K_{2011} + S_{2011} + ITA_{2011}$$

(ITA₂₀₁₁ is zero as per Clause 4.4.3 of the updated RDWR)

Details of the computation of the Change in Weighted Index (CWI₂₀₁₁), Performance Incentive Factor (S₂₀₁₁) and Correction Factor (K₂₀₁₁) are attached to the application;

6. Pursuant to Section 8.1.1 of the Position Paper for the 1st entrants for 3rd Regulatory Period, it calculated the accumulated under-recoveries for the period July 1, 2007 to June 30, 2009, as follows:

Table 1

Period	Under-recovery, PhP/kWh	kWh Sales	Total Under-recovery, PhP
July 1, 2007 to December 2007	0.1351	364,911,625	49,285,033.00
January 2008 - December 2008	0.3907	758,209,509	296,230,113.00
January 2009 - June 30, 2009	0.1496	371,978,289	55,654,426.00
Total	0.6754	-	401,169,572.00

Details of the computation of the foregoing are attached to the application;

7. As provided in the same Section, the said accumulated under-recoveries in the 2nd Regulatory Period shall be carried-over to the 3rd regulatory period. With this mechanism, the MAP₂₀₁₁ will also be recomputed to consider the foregoing. Thus, the MAP₂₀₁₁ will be PhP1.5167/kWh;

8. The Commission has set a Side Constraint (SC) of 3.62% for Regulatory Year 2011 in accordance with Clause 9.8.3 of the FD in its regulatory reset for the 2nd Regulatory Period. With a CWI of 2.67%, the total SC applicable for Regulatory Year 2011 is 6.29%;
9. The computed MAP₂₀₁₁ of PhP1.5167/kWh, when translated into distribution charges, will result to a rate level that will not breach the said total SC for each of the customer classes, as shown in the table below:

Table 2

Rate Schedule	$\frac{((FCR_{k,t} / FQ_{k,t}) - S_t) - ((CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1})}{(CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1}} \leq (CWI_t + SC_t)$		
17	0.0272	Less than the SC	0.0629
27	0.0278	Less than the SC	0.0629
37	0.0272	Less than the SC	0.0629
47-A	0.0328	Less than the SC	0.0629
47-B	0.0220	Less than the SC	0.0629
57-57W	0.0526	Less than the SC	0.0629
67-67W	0.0003	Less than the SC	0.0629

10. As shown above, the SC of 0.0629 was not breached. On the other hand, the under-recoveries for the period July 1, 2007 to June 30, 2009 amounted to PhP401,169,572.00 which will be carried over to the 3rd Regulatory Period;
11. In order to reduce the amount of under-recoveries that will be carried over to the 3rd Regulatory Period and to lessen rate increases in that period resulting from such carry over, it proposes that the SC allowance be maximized by including a portion of these under-recoveries in the MAP. With this proposal, the MAP will increase from PhP1.5167/kWh to PhP1.5745/kWh or an increment of PhP0.0578/kWh only;
12. This proposed MAP of PhP1.5745/kWh will result to a reduction of total under-recoveries in the amount of PhP36,624,569.00 or from PhP401,169,572.00 to PhP364,545,004.00, aside from fully applying the SC allowance;
13. The proposed MAP will be converted into rates for the different customer classes as shown in the table below:

Table 3

Rate Schedule	Distribution			Supply		Metering		
	PhP/kWh		PhP/kW	PhP/kWh	PhP/Cust.	PhP/kWh	PhP/Cust.	
	1st Block	All Excess					1P, Secondary	3P, Primary
17	1.3893	-	-	0.0092	-	-	-	-
27	1.8814	-	-	0.5152	-	0.7146	5.00	-
37	1.6787	-	-	0.1357	-	-	183.99	1,345.29
47-A	0.1175	-	402.90	-	1,730.63	-	1,431.74	21,179.53
47-B	1.0947	-	-	-	1,767.82	-	1,462.50	21,634.59
57-57W	0.0929	0.0465	266.51	-	3,031.65	-	-	25,119.82
67-67W	0.0736	0.0368	53.80	-	4,756.68	-	-	35,232.44

14. The above rates are allocated based on its approved distribution rate structure in ERC Case No. 2008-002 RC as mentioned above;
15. It requests for approval of the instant application to allow it to fulfill its obligations under the PBR, and to enable it to provide service in a manner that is economical, efficient, and fair to all electricity end-users that it serves; and
16. It prays that after due notice and proceedings, the proposed MAP₂₀₁₁ in the amount of PhP1.5745 per kWh be approved.

Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated March 30, 2010, were issued setting the case for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on April 20, 2010.

CEPALCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the scheduled date of initial hearing. It was also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

Likewise, the Offices of the City Mayor of Cagayan de Oro, the Municipal Mayors of Jasaan, Tagoloan and Villanueva and the Provincial Governor of Misamis Oriental were furnished with copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On April 15, 2010, CEPALCO submitted its "Pre-Trial Brief".

During the April 20, 2010 initial hearing of this case, the following entered their appearances: a) Attys. Isidro Baculio, Jr. and Roel Camorro for CEPALCO; b) Mr. Ramid Gualberto for the National Association of Electricity Consumers for Reforms, Incorporated – Cagayan de Oro City Chapter (NASECORE-CDO); and c) Engr. Robert Mallillin. No other intervenor/oppositor appeared nor was there any other intervention/opposition registered.

At the said hearing, NASECORE-CDO manifested its intention to participate as intervenor in the instant case. On the other hand, Engr. Mallillin entered his appearance as an oppositor.

The Commission provisionally allowed the intervention of NASECORE-CDO subject to the submission of the required petition for intervention within five (5) days from said date of hearing.



CEPALCO presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "L-2", inclusive. Thereafter, it conducted an expository presentation of its application.

Subsequently, the Commission conducted a pre-trial conference where the parties stipulated on facts and issues subject of the instant application.

At the termination of the pre-trial conference, CEPALCO presented its lone witness, Engr. Richard S. Ratunil, its Economic Regulatory Compliance Officer, who testified, among others, that: a) the proposed and recalculated MAP are in accordance with the amended RDWR; b) the proposed simulation of Side Constraints to reduce under-recoveries is justifiable; c) the proposed MAP resulting from side constraint is fair and reasonable; and d) the distribution charges are correctly determined.

In the course of his direct examination, the witness identified various documents in support of the application which were duly marked as exhibits.

The direct examination having been terminated, NASECORE-CDO was provisionally allowed to conduct its cross-examination on the said witness. It then manifested that it does not intend to present any evidence. Thereafter, the Commission propounded clarificatory questions on the said witness.

CEPALCO was directed to submit various documents to facilitate the evaluation of the instant application. It, then, moved that it be given a period of seven (7) calendar days from said date of hearing within which to submit its



formal offer of exhibits together with the said documents. Said motion was granted.

Meanwhile, NASECORE-CDO was given the same period from receipt of said formal offer of exhibits within which to file its comments thereon.

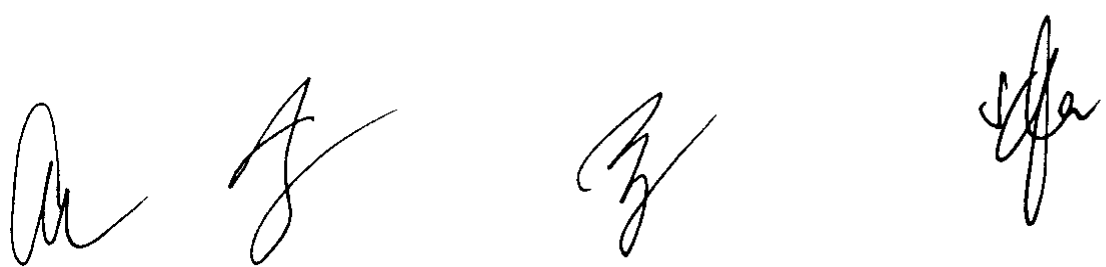
On April 21, 2010, NASECORE-CDO filed its "Petition for Intervention".

On April 28, 2010, CEPALCO filed its "Formal Offer of Evidence" which is hereby admitted for being relevant and material in the final resolution of this application.

To date, the Commission has not received any comments from NASECORE-CDO. It is, therefore, deemed to have waived its right to submit said comment.

DISCUSSION

CEPALCO filed the instant application in accordance with the RDWR, as amended. After several public consultations were conducted, the said Rules underwent changes which culminated in the latest version as published by the Commission on January 28, 2009. Although Group A Entrants, which include CEPALCO, are already on their final stages of the Second Regulatory Period, the changes have substantial impact on the manner their 2010 and 2011 annual price resets will be treated.



Based on the pricing formula prescribed in Section 4.2.1(b) of the amended RDWR, MAP₂₀₁₁ was determined to be in the amount of PhP2.8194/kWh, computed based on the formula prescribed, as follows:

$$\text{MAP}_{2011} = \text{MAP}_{2010} \times (\text{CWI}_{2011} - X) - K_{2011} + S_{2011} + \text{ITA}_{2011}$$

(ITA₂₀₁₁ is zero as per Clause 4.4.3 of the updated RDWR)

Pursuant to Section 8.1.1 of the Position Paper for the First Entrants for the Third Regulatory Period, CEPALCO calculated its accumulated under-recoveries for the period July 1, 2007 to June 30, 2009, as follows:

Period	Under-recovery (PhP/kWh)	kWh Sales	Total Under-recovery (PhP)
July 1, 2007 - December 2007	0.1351	364,911,625	49,285,033
January - December 2008	0.3907	758,209,509	296,230,113
January - June 30, 2009	0.1496	371,978,289	55,654,426
Total	0.6754	-	401,169,572

The accumulated under-recoveries in the Second Regulatory Period shall be carried-over to the Third Regulatory Period. With this mechanism, MAP₂₀₁₁ will also be recalculated to consider the carried-over under-recoveries. Thus, the recomputed MAP₂₀₁₁ shall be PhP1.5167/kWh.

Pursuant to Clause 9.8.3 of CEPALCO's Final Determination in its regulatory reset for the Second Regulatory Period, the Commission has set a Side Constraint (SC) of 3.62% for Regulatory Year 2011. With a Change in Weighted Index (CWI) of 2.67%, the total SC applicable for Regulatory Year 2011 is 6.29%.

The computed MAP_{2011} of PhP1.5167/kWh, when translated into distribution charges, will result to a rate level that will not breach the said total SC for each of the customer classes, as shown in the table below:

Rate Schedule	$\frac{((FCR_{k,t}/FQ_{k,t})-S_t) - ((CR_{k,t-1}/AQ_{k,t-1})-S_{t-1})}{(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}} \leq (CWI_t + SC_t)$		
	(17) Streetlight	0.0272	This is less than the SC, hence acceptable
(27) Residential	0.0278	- same -	6.29%
(37) Commercial	0.0272	- same -	6.29%
(47-A) Industrial (High Load Factor)	0.0328	- same -	6.29%
(47-B) Industrial (Low Load Factor)	0.0220	- same -	6.29%
(57-57W) Bulk Power (bundled and wheeling)	0.0526	- same -	6.29%
(67-67W) Bulk Power (bundled and wheeling)	0.0003	- same -	6.29%

Based on the foregoing, it can be gleaned that the SC of 6.29% was not breached. However, there is a huge amount of under-recoveries covering the period July 1, 2007 to June 30, 2009 amounting to PhP401,169,572.00 which will be carried-over to the Third Regulatory Period.

In order to reduce the amount of under-recoveries that will be carried over as well as to lessen rate increases for that particular period, CEPALCO is proposing that the SC allowance be maximized by including a portion of these under-recoveries in the MAP. With this proposal, the MAP will increase from PhP1.5167/kWh to PhP1.5745/kWh or an increment of PhP0.0578/kWh.

The proposed MAP of PhP1.5745/kWh will result to a reduction of the total under-recoveries in the amount of PhP36,624,569.00, from PhP401,169,572.00 to PhP364,545,004.00, apart from the full application of the SC allowance.

CEPALCO converted its proposed MAP₂₀₁₁ into rates for the different customer classes, as shown below:

Rate Schedule	Distribution			Supply		Metering		
	PhP/kWh		PhP/kW	PhP/kWh	PhP/Cust./Mo.	PhP/kWh	PhP/Cust./Mo.	
	1st Block	All Excess					1P, Secondary	3P, Primary
(17) Streetlight	1.3893	-	-	0.0092	-	-	-	-
(27) Residential	1.8814	-	-	0.5152	-	-	-	-
(37) Commercial	1.6787	-	-	0.1357	-	0.7146	5.00	-
(47-A) Industrial (High Load Factor)	0.1175	-	402.90	-	1,730.63	-	183.99	1,345.29
(47-B) Industrial (Low Load Factor)	1.0947	-	-	-	1,767.82	-	1,431.74	21,179.53
(57-57W) Bulk Power (bundled and wheeling)	0.0929	0.0465	266.51	-	3,031.65	-	1,462.50	21,634.59
(67-67W) Bulk Power (bundled and wheeling)	0.0736	0.0368	53.80	-	4,756.68	-	-	25,119.82
								35,232.44

The foregoing rates were allocated based on CEPALCO's approved distribution rate structure in ERC Case No. 2008-002 RC [In the Matter of the Application for Approval of: A) The Maximum Average Price for the Second Regulatory Year (MAP₂₀₀₉); and B) The Translation Into Distribution Rates of Different Customer Classes for the First Regulatory Year of the ERC-Approved Annual Revenue Requirement for CEPALCO Under the Performance Based Regulation (PBR) for the Regulatory Period 2007-2011, CEPALCO – Applicant].

Further, the proposed MAP₂₀₁₁ will be in accordance with Section 6.5 of the RDWR on Other Parameters.

1. **MAP₂₀₁₁**

The Commission calculated CEPALCO's MAP₂₀₁₁ taking into account all its under-recoveries using the following formula:

$$MAP_{2011} = [MAP_{2010} \times \{1 + CWI_t - X\}] - K_t + S_t - ITA$$

$$MAP_{2011} = [2.0875 \times \{1 + 0.0274 - (-0.0238)\}] - (-0.5962) + 0.0302 + 0$$

$$MAP_{2011} = [2.1944] - 0.6264$$

$$MAP_{2011} = PhP2.8208/kWh$$

Shown below is a comparison between the resulting summary of the calculations performed by CEPALCO and the Commission:

Particulars	CEPALCO's Computation	Commission's Computation
MAP ₂₀₁₀	1.3960	2.0875
CWI _t	0.0267	0.0274
X	(0.0238)	(0.0238)
K _t	(0.0200)	(0.5962)
S _t	0.0302	0.0302
ITA	0	0
MAP ₂₀₁₁	1.5167	2.8208

However, CEPALCO proposed: a) to reduce the amount of its under-recoveries by maximizing the SC; and b) a MAP₂₀₁₁ of PhP1.5745/kWh.

The difference between the computations of CEPALCO and the Commission of PhP1.3041/kWh for MAP₂₀₁₁ is attributable to the following:

- a. CEPALCO used a different MAP₂₀₁₀ of PhP1.3960/kWh instead of the approved MAP₂₀₁₀ of PhP2.0875/kWh;
- b. CEPALCO adopted the estimated values (CWI_t) for the last quarter of March 2010 financial indices since the actual data are not yet available at the time of the filing of the application; and
- c. CEPALCO used a different Correction Factor (K_t) for its proposal on the bulk of under-recoveries to be collected in the Third Regulatory Period.

Taking into consideration the foregoing calculations, the Commission deems it necessary to approve the unconstrained MAP₂₀₁₁ equivalent to PhP2.8208/kWh, excluding Corporate Income Tax.

2. Side Constraints (SCs)

In terms of the RDWR, SCs apply to annual rate increases for any single rate category based on the CWI-factor and an allowance made in the Final

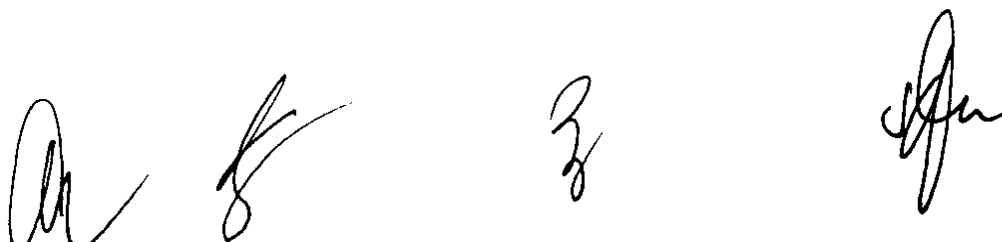


Determination. CEPALCO calculated the increase limit for the Regulatory Year 2011 rates at the CWI plus 3.62%, which was allowed by the Commission in the Final Determination.

A perusal of the documents submitted by CEPALCO disclosed that the proposed rate for its customers in Schedule 57-57W (Bulk Power) breached the SC set by the Commission in the said Final Determination.

Inasmuch as the RDWR provides flexibility to expeditiously adjust rates between regulatory resets, the Commission shall, however, ensure that use of such flexibility adheres to the policies set forth under R.A. 9136, particularly, that all distribution utilities shall only charge rates which reflect the cost-based unbundled structure set forth in the UFR. At no instance may costs or revenues that should be recovered from one unbundled function be shifted unto other unbundled functions. The rate design shall be free of inter-class subsidies. That is, costs or revenues that should be recovered from one customer segment shall not intentionally be shifted unto other customer segments. The Side Constraints set forth in Section 5.17 of the RDWR shall not be used to justify the shifting of revenues from one customer segment to other customer segments.

Section 6.4.2 of the RDWR allows the relaxation of the SC for one or more customer segments in order to mitigate future under or over-recoveries. CEPALCO alleged that for the period July 2007 to June 2009, there was an under-recovery amounting to PhP401,169,572.00. The tables below show the SC calculations of different customer classes using MAP of PhP2.8208/kWh and PhP1.5403/kWh:



Side Constraints Using a MAP of Php2.8208/kWh

Rate Schedule	FCR/FQ	CR/AQ	% increase	S.C.	Remarks
(17) Streetlight	1.8064	1.2138	48.818%	6.36%	Breached Side Constraints
(27) Residential	4.1366	2.7707	49.300%	6.36%	Breached Side Constraints
(37) Commercial	2.7673	1.8496	49.617%	6.36%	Breached Side Constraints
(47-A) Industrial (High Load Factor)	1.6452	1.0882	51.196%	6.36%	Breached Side Constraints
(47-B) Industrial (Low Load Factor)	2.9269	1.9764	48.092%	6.36%	Breached Side Constraints
(57-57W) Bulk Power (bundled and wheeling)	1.1987	0.7677	56.133%	6.36%	Breached Side Constraints
(67-67W) Bulk Power (bundled and wheeling)	0.2159	0.1356	59.193%	6.36%	Breached Side Constraints

Side Constraints Using a MAP of Php1.5403/kWh

Rate Schedule	FCR/FQ	CR/AQ	% increase	S.C.	Remarks
(17) Streetlight	1.2569	1.2138	3.553%	6.36%	Within Side Constraints
(27) Residential	2.8710	2.7707	3.620%	6.36%	Within Side Constraints
(37) Commercial	1.9156	1.8496	3.566%	6.36%	Within Side Constraints
(47-A) Industrial (High Load Factor)	1.1333	1.0882	4.149%	6.36%	Within Side Constraints
(47-B) Industrial (Low Load Factor)	2.0363	1.9764	3.030%	6.36%	Within Side Constraints
(57-57W) Bulk Power (bundled and wheeling)	0.8152	0.7677	6.185%	6.36%	Within Side Constraints
(67-67W) Bulk Power (bundled and wheeling)	0.1371	0.1356	1.107%	6.36%	Within Side Constraints

Based on the foregoing calculations, the Commission deems it prudent to approve a constrained MAP of **Php1.5403/kWh**, without breach of the SC. Any amount of under-recovery shall be carried over to the Third Regulatory Period.

3. Performance Incentive Factor (S₂₀₁₁)

CEPALCO calculated the S factor in accordance with the formula under Section 10.3.3 of the Position Paper. It claimed for a net incentive performance reward of **Php0.0302/kWh**, applicable for the Regulatory Year 2011.

The Commission verified the same and found that it is consistent with the target bands it set in the Final Determination used in computing the reward for the performance indices.

It is interesting to note that the quality of performance is above target levels. This is an additional benefit.

Consistent with the RDWR, the Commission agrees that the S factor should not be subject to SC to allow CEPALCO to retain the incentive for the improvement of its performance. After applying the approved SC, the S factor should be added to the MAP thereafter. CEPALCO has adopted the foregoing in its calculations.

4. MAP₂₀₁₁ Translation Into Distribution Tariffs

The rates applied for by CEPALCO were thoroughly evaluated by the Commission and were found to be in accordance with the Final Determination and in conformity with the requirements of the RDWR.

CEPALCO strictly adhered to the Commission's UFR. The functionalization and allocation factors were well-structured, well-founded and supported by detailed analyses.

The rate schedule below was recalculated by the Commission using the constrained MAP₂₀₁₁ of PhP1.5403/kWh plus the S factor of PhP0.0302:



Customer Classes	Units	Existing (a)	CEPALCO's Proposed Rates (b)	Commission's Computed Rates for Regulatory Year 2011 (c)	Increase / (Decrease) (c-a)
DISTRIBUTION					
(17) Streetlight	PhP/kWh	1.2351	1.3893	1.3488	0.1137
(27) Residential	PhP/kWh	1.6752	1.8814	1.8294	0.1542
(37) Commercial	PhP/kWh	1.4939	1.6787	1.6314	0.1375
(47-A) Industrial (High Load Factor)	PhP/kWh	0.1057	0.1175	0.1154	0.0097
	PhP/kW	364.1400	402.9000	395.8100	31.6700
(47-B) Industrial (Low Load Factor)	PhP/kWh	0.9641	1.0947	1.0528	0.0887
(57-57W) Bulk Power (bundled and wheeling)	PhP/kWh	0.0866	0.0929	0.0946	0.0080
	PhP/kW	261.9900	266.5100	271.2500	9.2600
(57-57W) Excess kWh	PhP/kWh	0.0433	0.0465	0.0473	0.0040
(67-67W) Bulk Power (bundled and wheeling)	PhP/kWh	0.0576	0.0736	0.0698	0.0122
	PhP/kW	38.3500	53.8000	51.0600	12.7100
(67-67W) Excess kWh	PhP/kWh	0.0288	0.0368	0.0349	0.0061
SUPPLY					
(17) Streetlight	PhP/kWh	0.0082	0.0092	0.0090	0.0008
(27) Residential	PhP/kWh	0.4587	0.5152	0.5009	0.0422
(37) Commercial	PhP/kWh	0.1208	0.1357	0.1319	0.0111
(47-A) Industrial (High Load Factor)	PhP/Cust./Mo.	1,602.3900	1,730.6300	1,700.19	97.8000
(47-B) Industrial (Low Load Factor)	PhP/Cust./Mo.	1,600.9000	1,767.8200	1,700.19	99.2900
(57-57W) Bulk Power (bundled and wheeling)	PhP/Cust./Mo.	3,038.0000	3,031.6500	3,085.61	47.6100
(67-67W) Bulk Power (bundled and wheeling)	PhP/Cust./Mo.	3,602.3700	4,756.6800	4,514.37	912.0000
METERING					
(27) Residential	PhP/kWh	0.6335	0.7146	0.6939	0.0604
	PhP/Cust./Mo.	5.0000	5.0000	5.00	0.0000
(37) Commercial (1-phase)	PhP/Cust./Mo.	168.8700	183.9900	178.80	9.9300
(37) Commercial (3-phase)	PhP/Cust./Mo.	1,248.5500	1,345.2900	1,307.36	58.8100
(47-A) Industrial (Primary Metered)	PhP/Cust./Mo.	19,854.5100	21,179.5300	20,806.98	952.4700
(47-B) Industrial (Primary Metered)	PhP/Cust./Mo.	19,836.0600	21,634.5900	20,806.98	970.9200
(47-A) Industrial (Secondary Metered)	PhP/Cust./Mo.	1,319.8800	1,431.7400	1,406.55	86.6700
(47-B) Industrial (Secondary Metered)	PhP/Cust./Mo.	1,318.6500	1,462.5000	1,406.55	87.9000
(57-57W) Bulk Power (bundled and wheeling)	PhP/Cust./Mo.	25,164.1600	25,119.8200	25,566.96	402.8000
(67-67W) Bulk Power (bundled and wheeling)	PhP/Cust./Mo.	26,682.5400	35,232.4400	33,437.69	6,755.1500
Average Total Rate	PhP/kWh	1.4482	1.5745	1.5705	0.1223

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The overall increase over CEPALCO's existing rate of PhP1.4482/kWh as compared to MAP₂₀₁₁ of PhP1.5705/kWh, limited by the SC (including S factor) is PhP0.1223/kWh, or 8.44%.

WHEREFORE, the foregoing premises considered, the application for approval of the Maximum Average Price (MAP) for the Fourth (4th Regulatory Year of the Second Regulatory Period (MAP₂₀₁₁) filed by Cagayan Electric Power and Light Company, Incorporated (CEPALCO) is hereby **APPROVED WITH MODIFICATION**.

Accordingly, CEPALCO is hereby directed to **IMPLEMENT**, effective July 1, 2010, the approved Distribution, Supply and Metering Charges, as follows:

Customer Classes	Distribution		Supply			Metering		
	PhP/kWh		PhP/kWh	PhP/kWh	PhP/Cust./Mo.	PhP/kWh	PhP/Cust./Mo.	
	1st Block	All Excess					1P, Secondary	3P, Primary
(17) Streetlight	1.3488	-	-	0.0090	-	-	-	-
(27) Residential	1.8294	-	-	0.5009	-	-	-	-
(37) Commercial	1.6314	-	-	0.1319	-	0.6939	5.00	-
(47-A) Industrial (High Load Factor)	0.1154	-	395.81	-	1,700.19	-	178.80	1,307.36
(47-B) Industrial (Low Load Factor)	1.0528	-	-	-	1,700.19	-	1,406.55	20,806.98
(57-57W) Bulk Power (bundled and wheeling)	0.0946	0.0473	271.25	-	3,085.61	-	1,406.55	20,806.98
(67-67W) Bulk Power (bundled and wheeling)	0.0698	0.0349	51.06	-	4,514.37	-	-	25,566.96
								33,437.69

SO ORDERED.

Pasig City, June 7, 2010.

Zenaida G. Cruz-Ducut
ZENAIDA G. CRUZ-DUCUT
 Chairperson

Rauf A. Tan
RAUF A. TAN
 Commissioner

Alejandro Z. Barin
ALEJANDRO Z. BARIN
 Commissioner

Maria Teresa R. Castañeda
MARIA TERESA R. CASTAÑEDA
 Commissioner

Jose C. Reyes
JOSE C. REYES
 Commissioner

Handwritten initials

Copy Furnished:

1. Cagayan Electric Power and Light Company, Inc. (CEPALCO)
44 Toribio Chaves Street, Cagayan de Oro City, Misamis Oriental
ATTN: Atty. Jose Edgardo Y. Uy
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Atty. Panfilo I. Paracuelles
Atty. Roel O. Camorro
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3. Commission on Audit (COA)
Commonwealth Avenue,
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4. Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
5. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
6. Office of the City Mayor
Cagayan de Oro City, Misamis Oriental
7. Office of the Municipal Mayor
Jasaan, Misamis Oriental
8. Office of the Municipal Mayor
Tagoloan, Misamis Oriental
9. Office of the Municipal Mayor
Villanueva, Misamis Oriental
10. Office of the Provincial Governor
Province of Misamis Oriental
11. Philippine Chamber of Commerce and Industry (PCCI)
3rd floor, ECC Building, Sen. Gil Puyat Avenue, Makati City
12. National Association of Electricity Consumers for Reforms, Incorporated – Cagayan
de Oro City Chapter (NASECORE – CDO)
c/o Mr. Pete Ilagan
No. 10, 680 Quirino Ave., Bayside Court Compound
1700 Tambo, Paranaque City