

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

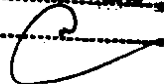


IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE TRANSLATION INTO DISTRIBUTION RATES OF DIFFERENT CUSTOMER CLASSES FOR THE FIRST REGULATORY YEAR OF THE ERC-APPROVED ANNUAL REVENUE REQUIREMENT FOR TARLAC ELECTRIC, INCORPORATED (TEI) UNDER THE PERFORMANCE BASED REGULATION (PBR) FOR THE REGULATORY PERIOD 2010-2014

(IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE TRANSLATION INTO DISTRIBUTION RATES OF DIFFERENT CUSTOMER CLASSES FOR THE FIRST REGULATORY YEAR OF THE ERC-APPROVED ANNUAL REVENUE REQUIREMENT FOR TARLAC ELECTRIC, INCORPORATED [TEI] UNDER THE PERFORMANCE BASED REGULATION [PBR] FOR THE REGULATORY PERIOD 2011-2014)

ERC CASE NO. 2010-029 RC

TARLAC ELECTRIC, INC. (TEI),
Applicant.
X-----X

DOCKETED
Date: JUL 13 2010
By: 

DECISION

Before the Commission for resolution is the application filed on April 13, 2010 by Tarlac Electric, Incorporated (TEI) for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the ERC-approved annual revenue requirement (ARR) under the performance based regulation (PBR) for the regulatory period 2010-2014.



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

1. It is a private corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Mabini St., Tarlac City, Tarlac. It is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power services in the City of Tarlac, Province of Tarlac.
2. Under ERC Resolution No. 54, Series of 2006 [Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation (Second and Later Entry Points)], the PBR-entrant distribution utility will be given an ARR which will be used to derive the Maximum Average Price (MAP). Said MAP shall then be allocated by the distribution utility in setting the rate schedule for its distribution, supply and metering charges for each customer class or segment.
3. It was among the entrants at the third entry point to the PBR rate setting methodology adopted by the Commission pursuant to Section 43(f) of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA. As such, on June 19, 2009, it filed an application (docketed as ERC Case No. 2009-042 RC) for approval of its ARR and Performance Incentive Scheme (PIS) covering the Second Regulatory Period from July 1, 2010 to June 30, 2014 in accordance with the provisions of the RDWR.
4. Thereafter, the Commission issued the Final Determination in the aforesaid case, as contained in its Decision dated March 8, 2010.
 - 4.1 Based on the Final Determination, its ARR for the First Regulatory Year of the Second Regulatory Period as approved by the Commission is as follows:

Building Blocks	2011 (PhP Million, Nominal)
Return on Capital	166.3
OPEX	163.1
Regulatory Depreciation	52.0
Corporate Income Tax	0.0
Other Taxes	3.7
Subtotal	385.1
GSL Allowance	1.9
Resulting ARR before Regulatory Intervention	387.0
Regulatory Intervention	40.0
TOTAL	347.0





- 4.2 The opening MAP that it will apply at the start of the Second Regulatory Period as approved by the Commission in the Final Determination is PhP1.2571/kWh.
- 4.3 Section 1.4.1 of the Final Determination requires that the MAP set in terms of the Final Determination should be converted into a distribution rate structure to be filed with the Commission for approval.
5. In compliance with the requirements under the RDWR and the Final Determination for the conversion of the approved MAP into a distribution rate structure, it herein applies for approval of the translation into distribution rates of different customer classes of its approved MAP for the First Regulatory Year ending June 30, 2011 of the Second Regulatory Period.
6. The smoothed MAP₂₀₁₁ of PhP1.2571 per kWh (net of Regulatory Intervention) was broken down into the average unbundled components of Distribution Charge, Supply Charge and Metering Charge, with the following resulting figures:

Distribution Charge	0.9109
Supply Charge	0.1755
Metering Charge	0.1628
Total	1.2492

The resulting rates for Commercial/Industrial – Secondary customers breached the side constraint of 16.63%. In this regard, PhP1.74 Million of revenue from the allocated revenue requirement of this customer class was deferred. The under recoveries resulting from this deferment will be recovered on the Second Regulatory Year ending June 30, 2012.

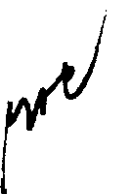
7. Summarized below is its proposed distribution-related rate structure:

TEI – Proposed Rates

Customer Class	Distribution		Supply		Metering	
	PhP/ kW	PhP/ kWh	PhP/ Cust. /Mo.	PhP/ kWh	PhP/ Cust./Mo.	PhP/ kWh
Residential	-	1.1559	5.00	0.2826	5.00	0.2230
Small Commercial	-	1.1559	5.00	0.2826	5.00	0.2230
Commercial/Industrial – Secondary	296.54	-	51.41	-	1,250.27	-
Commercial/Industrial – Primary	224.30	-	51.41	-	8,807.55	-
69 kV	133.43	-	51.41	-	16,449.74	-
Flat/Street Lights	-	0.8754	51.41	-	-	-

The conversion was effected in accordance with the Uniform Filing Requirements (UFR), the relevant sections of the RDWR, as





amended, and the methodology described in Article V of the Distribution Services and Open Access Rules (DSOAR). It used in its calculations the information contained in the Final Determination dated March 8, 2010.

In this application, it proposes to change its Supply Charges for Residential and Small Commercial customers from a rate per kWh to a combination of a fixed monthly rate per customer and a rate based on consumption, i.e. rate per customer per month and rate per kWh. The rate per customer of PhP5.00 will show that Supply Charges are more customer-related rather than consumption-related and PhP5.00 is only a portion of the cost needed to bill and collect from these customers.

It also proposes to remove the rate per kWh component of Commercial/Industrial – Secondary customers in preparation for open access.

8. The approval of the application will allow it to fulfill its obligations under the PBR and avoid irreparable losses, which will ultimately result in the deterioration of its services, to the damage, and prejudice of the public, in general, and its consumers, in particular.
9. Thus, it prays that this application be approved, authorizing it to adopt the proposed distribution-related rate structure and rate schedules, summarized as follows:

Customer Class	Distribution		Supply		Metering	
	PhP/ kW	PhP/ kWh	PhP/ Cust. /Mo.	PhP/ kWh	PhP/ Cust./Mo.	PhP/ kWh
Residential	-	1.1559	5.00	0.2826	5.00	0.2230
Small Commercial	-	1.1559	5.00	0.2826	5.00	0.2230
Commercial/Industrial – Secondary	296.54	-	51.41	-	1,250.27	-
Commercial/Industrial – Primary	224.30	-	51.41	-	8,807.55	-
69 kV	133.43	-	51.41	-	16,449.74	-
Flat/Street Lights	-	0.8754	51.41	-	-	-

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 April 26, 2010, were issued setting the case for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on May 18, 2010.

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TEI 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 Tarlac City and the Provincial Governor of Tarlac were furnished with copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On May 13, 2010, TEI submitted its "Pre-Trial Brief".

During the May 18, 2010 initial hearing of this case, only TEI appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

In the said hearing, TEI presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly



marked as Exhibits "C" to "G-1", inclusive. Thereafter, it conducted an expository presentation of its application.

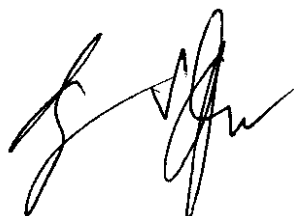
Subsequently, the Commission conducted a pre-trial conference.

At the termination of the pre-trial conference, TEI presented its lone witness, Ms. Floriza D. Forlales, its Chief Accountant, who testified, among others, that: a) the figures used in the conversion of its MAP were derived from the Final Determination dated March 8, 2010 and the UFR in rate unbundling using the updated scenarios and values; b) the removal of the per kWh charges on customer class Commercial/Industrial (Secondary Metered) is justified; c) the inclusion of a PhP5.00 per customer charge for Supply Charges is, likewise, justified; d) the opening MAP does not exceed PhP1.2571/kWh, as approved by the Commission in the said Final Determination; and e) the rates per customer class did not breach the Side Constraints provided therein.

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

The said witness was, likewise, required to address the clarificatory questions propounded by the Commission. Thereafter, TEI was directed to submit various documents to facilitate the evaluation of the instant application.

On May 24, 2010, TEI filed its "Formal Offer of Exhibits" which is hereby admitted for being relevant and material in the final resolution of this application.



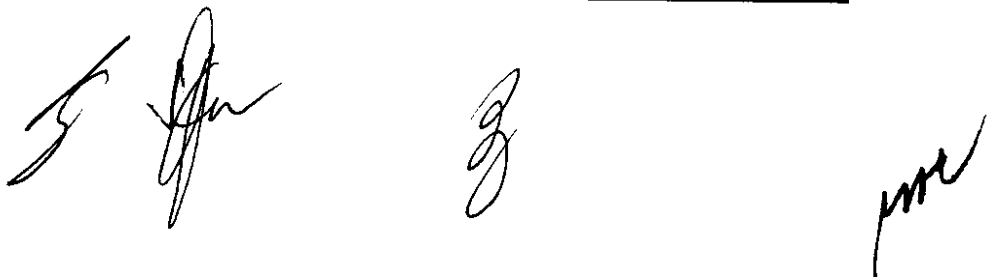
DISCUSSION

On March 8, 2010, the Commission issued a Decision and a Final Determination in ERC Case No. 2009-042 RC [In the Matter of the Application for Approval of the Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), TEI – Applicant] approving, among others, the MAP of PhP1.2571/kWh.

With the approved MAP, TEI was required by the Commission to convert the same into a distribution rate structure.

The resulting allocated figures were then translated by TEI into distribution, metering and supply charges among various customer classes as shown in the table below:

Customer Classes	Units	Units	Approved Rates for Regulatory Year 2011
DISTRIBUTION			
Residential	PhP/kWh	0.8584	1.1559
Small Commercial	PhP/kWh	0.8584	1.1559
Commercial/Industrial (Secondary)	PhP/kWh	0.0663	
	PhP/kW	285.11	296.54
Commercial/Industrial (Primary)	PhP/kW	206.98	224.30
69 kV	PhP/kW	126.57	133.43
Flat/Streetlights	PhP/kWh	0.8616	0.8754
SUPPLY			
Residential	PhP/kWh	0.2973	0.2826
	PhP/Cust./Mo.		5.00
Small Commercial	PhP/kWh	0.2973	0.2826
	PhP/Cust./Mo.		5.00
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	49.56	51.41
Commercial/Industrial (Primary)	PhP/Cust./Mo.	47.37	51.41
69 kV	PhP/Cust./Mo.	49.63	51.41
Flat/Streetlights	PhP/Cust./Mo.	50.66	51.41



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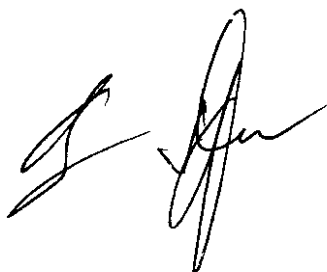
Customer Classes	Units	Units	Approved Rates for Regulatory Year 2011
METERING			
Residential	PhP/kWh	0.5090	0.2230
	PhP/Cust./Mo.	5.00	5.00
Small Commercial	PhP/kWh	0.5090	0.2230
	PhP/Cust./Mo.	5.00	5.00
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	2,143.09	1,250.27
Commercial/Industrial (Primary)	PhP/Cust./Mo.	15,096.98	8,807.55
69 kV	PhP/Cust./Mo.	28,196.42	16,449.74
AVERAGE TOTAL RATE	PhP/kWh	1.2320	1.2492

TEI proposed to change its supply charges for Residential and Small Commercial customers from a rate of per kWh to a combination of a fixed monthly rate of PhP5.00 per customer and a rate per kWh. TEI further proposed to remove the rate per kWh component of its distribution charge for Commercial/Industrial – Secondary customers in preparation for open access.

1. MAP 2010 Translation Into Distribution Tariffs

The rates applied for by TEI were thoroughly reviewed and evaluated by the Commission. The instant application was found to be in accordance with the Final Determination dated March 8, 2010 and in conformity with the requirements set forth in the RDWR.

During the hearing, TEI was directed to explain, among others, the reasons for its proposed: a) change in the supply charges for Residential and Small Commercial customers, from a rate of per kWh to a combination of a fixed monthly rate of PhP5.00 per customer plus a rate per kWh; and b) removal of the rate per kWh component of its distribution charge for Commercial/Industrial-Secondary customers.



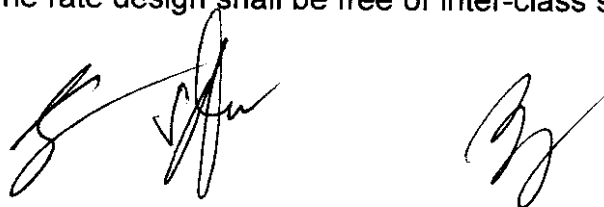


TEI averred that the rate per customer of PhP5.00 will show that Supply Charges are more customer-related rather than consumption-related and that it is incurring fixed cost relative to this function per customer, regardless of consumption. It further averred that the same is also based on the premise of avoiding or mitigating the risk of having cross-subsidization between and among customer classes.

As regards the proposed removal of the rate per kWh component for Commercial/Industrial-Secondary customers in preparation for open access (i.e. contestable customers will only be billed a distribution wheeling charge based on their demand), TEI contended that said proposal is based on the premise that distribution charges are, by nature, demand-related and it is deemed necessary that these customers be billed based on demand and not in consumption to ensure a fair return to it and avoid cross-subsidization between and among its customer classes.

The Commission finds merit in the foregoing proposals of TEI. Thus, it deems it prudent to approve the same.

Inasmuch as the RDWR provides flexibility to expeditiously adjust rates between regulatory resets, the Commission shall, however, ensure that the use of such flexibility adheres to the policies set forth under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, with particularity that all distribution utilities shall only charge rates which reflect the cost-based unbundled structure set forth in the UFR. At no instance should costs or revenues recovered from one unbundled function be shifted unto other unbundled functions. The rate design shall be free of inter-class subsidies.

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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.

In deriving the rates, TEI adhered to the UFR. The functionalization and allocation factors were reasonably structured and appropriately founded and supported by analysis.

The Commission finds the following TEI's calculated MAP₂₀₁₁ reasonable and consistent with the RDWR:

Customer Class	Distribution		Supply		Metering	
	PhP/ kW	PhP/ kWh	PhP/ Cust. /Mo.	PhP/ kWh	PhP/ Cust./Mo.	PhP/ kWh
Residential	-	1.1559	5.00	0.2826	5.00	0.2230
Small Commercial	-	1.1559	5.00	0.2826	5.00	0.2230
Commercial/Industrial – Secondary	296.54	-	51.41	-	1,250.27	-
Commercial/Industrial – Primary	224.30	-	51.41	-	8,807.55	-
69 kV	133.43	-	51.41	-	16,449.74	-
Flat/Street Lights	-	0.8754	51.41	-	-	-

2. Side Constraints

In terms of the RDWR, side constraints apply to annual rate increases for any single rate category. This is based on the CWI-factor and an allowance made in the Final Determination.

A perusal of the documents submitted by TEI disclosed that it failed to update the computation of the side constraints. It was further disclosed that it

used CPI and CWI_t from the Final Determination. The Commission updated the foregoing as follows:

Computation of Side Constraints on Proposed Maximum Distribution Wheeling Rates

$\frac{((FCR_{k,t}/FQ_{k,t})-S_t) - ((CR_{k,t-1}/AQ_{k,t-1})-S_{t-1})}{(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}}$	<=	$(CWI_t + SC_t)$
	<=	(2.74% + 16.63%)
	<=	19.37%

Customer Class	$(FCR_{k,t}/FQ_{k,t})-S_t$	$(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}$	% Increase	
Residential/	1.7448	1.6680	4.60%	Within Side Constraints
Small Com'l	1.6719	1.6651	0.41%	Within Side Constraints
Com'l/Ind'l (Secondary)	0.8003	0.6064	31.97%	Side Constraints Breached
Com'l/Ind'l (Primary)	0.6668	0.6483	2.86%	Within Side Constraints
69 kV	0.3835	0.3398	12.86%	Within Side Constraints
Flat/Streetlights	0.8812	0.8623	2.20%	Within Side Constraints
Total	1.2571	1.2320	2.04%	Within Side Constraints

Customer Class	$FCR_{k,t}$	$FQ_{k,t}$	S_t	$(FCR_{k,t}/FQ_{k,t})-S_t$
Residential/	149,011,989.45	85,401,141.00	0	1.7448
Small Com'l	63,828,536.36	38,176,860.00	0	1.6719
Com'l/Ind'l (Secondary)	14,647,615.53	18,302,511.00	0	0.8003
Com'l/Ind'l (Primary)	43,379,438.58	65,054,570.00	0	0.6668
69 kV	4,237,848.31	11,050,018.00	0	0.3835
Flat/Streetlights	2,523,578.14	2,863,684.00	0	0.8812
Total	277,629,006.37	220,848,784.00	0	1.2571

Customer Class	$CR_{k,t-1}$	$AQ_{k,t-1}$	S_{t-1}	$(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}$
Residential/	140,274,867.40	84,095,391.00	0	1.6680
Small Com'l	60,323,013.19	36,227,190.00	0	1.6651
Com'l/Ind'l (Secondary)	13,320,198.93	21,965,156.00	0	0.6064
Com'l/Ind'l (Primary)	32,114,622.59	49,538,686.00	0	0.6483
69 KV	3,306,409.25	9,730,000.00	0	0.3398
Flat/Streetlights	2,380,990.68	2,761,277.00	0	0.8623
Total	251,720,102.05	204,317,700.00	0	1.2320

In terms of the RDWR, side constraints apply to annual rate increases for any single rate category. This is based on the CWI-factor and an allowance made in the Final Determination. The Commission calculated the increase limit for the regulatory year 2011 rates at the CWI plus 16.63%, which was allowed in the said Final Determination. The overall expected revenue from these rates, based on current sales forecasts, does not breach the MAP₂₀₁₁.

Shown below is a comparison of the impact per customer class between TEI's current rates from the computed MAP₂₀₁₁:

Customer Classes	Units	Existing (a)	TEI's Proposed Rates (b)	Commission's Computed Rates for Regulatory Year 2011	Increase / (Decrease) (b-a)
DISTRIBUTION					
Residential	PhP/kWh	0.8584	1.1559	1.1559	0.2795
Small Commercial	PhP/kWh	0.8584	1.1559	1.1559	0.2795
Commercial/Industrial (Secondary)	PhP/kWh	0.0663			
	PhP/kW	285.11	296.54	340.23	11.43
Commercial/Industrial (Primary)	PhP/kW	206.98	224.30	224.30	17.32
69 kV	PhP/kW	126.57	133.43	133.43	6.86
Flat/Streetlights	PhP/kWh	0.8616	0.8754	0.8754	(0.0138)
SUPPLY					
Residential	PhP/kWh	0.2973	0.2826	0.2826	(0.0147)
	PhP/Cust./Mo.		5.00	5.00	5.00
Small Commercial	PhP/kWh	0.2973	0.2826	0.2826	(0.0147)
	PhP/Cust./Mo.		5.00	5.00	5.00
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	49.56	51.41	51.41	1.85
Commercial/Industrial (Primary)	PhP/Cust./Mo.	47.37	51.41	51.41	4.04
69 kV	PhP/Cust./Mo.	49.63	51.41	51.41	1.78
Flat/Streetlights	PhP/Cust./Mo.	50.66	51.41	51.41	0.75
METERING					
Residential	PhP/kWh	0.5090	0.2230	0.2230	(0.2860)
	PhP/Cust./Mo.	5.00	5.00	5.00	
Small Commercial	PhP/kWh	0.5090	0.2230	0.2230	(0.2860)
	PhP/Cust./Mo.	5.00	5.00	5.00	
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	2,143.09	1,250.27	1,250.27	(892.82)
Commercial/Industrial (Primary)	PhP/Cust./Mo.	15,096.98	8,807.55	8,807.55	(6,289.43)
69 kV	PhP/Cust./Mo.	28,196.42	16,449.74	16,449.74	(11,746.68)
AVERAGE TOTAL RATE	PhP/kWh	1.2320	1.2492	1.2571	0.0172

The Commission set TEI's MAP for the regulatory year 2011 at PhP1.2571/kWh. There is an increase of PhP0.0172/kWh from its existing average distribution rate for the year 2009 of PhP1.2320/kWh, or 1.38%. The difference between TEI's proposed MAP₂₀₁₁ and the Commission's computed MAP₂₀₁₁ is a result of the calculation of change in weighted index (CWI_t). TEI used different values of economic indices instead of the values published by the Bangko Sentral ng Pilipinas (BSP) for the CPI and US exchange rate (USER) data, and the US Bureau of Labor and Statistics (US-BLS) for the USCPI data. However, jurisprudence dictates that a court cannot grant anything higher than what is being prayed for. Thus, the Commission is constrained to approve only what was proposed by TEI.

Shown below is TEI's computation of the Side Constraints:

Customer Class	$(FCR_{k,t}/FQ_{k,t})-S_t$	$(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}$	% Increase	
Residential/	1.7448	1.6680	4.60%	Within Side Constraints
Small Com'l	1.6719	1.6651	0.41%	Within Side Constraints
Com'l/Ind'l (Secondary)	0.7053	0.6064	31.97%	Side Constraints Breached
Com'l/Ind'l (Primary)	0.6668	0.6483	2.86%	Within Side Constraints
69 kV	0.3835	0.3398	12.86%	Within Side Constraints
Flat/Streetlights	0.8812	0.8623	2.20%	Within Side Constraints
Total	1.2492	1.2320	2.04%	Within Side Constraints

Section 6.4.2 of the RDWR allows the relaxation of the Side Constraints for one or more customer segments in order to mitigate future under or over-

recoveries. As such, the Commission deems it necessary to relax the Side Constraints limit. It is worth mentioning that the Commission already imposed a regulatory intervention for TEI's rates, as provided in the Final Determination dated March 8, 2010. Even after allowing such breach, the proposed MAP₂₀₁₁ is lower than the approved MAP₂₀₁₁ for TEI.

3. Lifeline Rate and Level

In computing the lifeline rates, the Commission made reference to its earlier Decision dated November 10, 2008 in ERC Case No. 2008-016 RC [In the Matter of the Application for Approval of the New Lifeline Rate for the Marginalized End-Users in Accordance with the Provisions of Sections 43(j) and 73 of Republic Act No. 9136 and the Implementing Rules and Regulations, Bureau of Trade Regulation and Consumer Protection-Department of Trade and Industry – Applicant] wherein it took cognizance of the fact that the public is in for hard times in view of the pervading global financial crises. It, likewise, recognized its mandate to protect the interest of the consumers insofar as they are affected by the rates. Consequently, it decided to grant a one hundred percent (100%) discount to Residential customers consuming 0-20 kWh and maintain the level of kWh consumption threshold so that no customer previously enjoying a discount would be deprived thereof as a result of the new lifeline structure.

It is worth mentioning that on August 24, 2009, the Commission issued a Decision in ERC Case No. 2009-022 RC [In the Matter of the Application for Approval of: (1) Sound Value Appraisal of Applicant's Assets as of December 31, 2006 Including Additions and Retirements for the Years 2007 and 2008; and (2) Revision of Rates to Achieve the Proposed Revenue Requirement in



Accordance with the Provisions of R.A. 9136, With Prayer for Provisional Authority, TEI – Applicant] modifying TEI’s Lifeline Rate and Level, as follows:

kWh Consumption	Level of Discount
0-20	100%
21-25	50%
26-30	45%
31-35	40%
36-40	35%
41-45	30%
Subsidy Rate to Non-Lifeline Customers	PhP0.0881/kWh

For purposes of determining the lifeline consumption thresholds and corresponding discounts for TEI, the Commission made a comparison between its unbundled and proposed rates, as follows:

Per Last Approved Rates (Unbundling)		Commission Approved	
kWh Consumption	Level of Discount	kWh Consumption	Level of Discount
0-20	100%	0-20	100%
21-25	50%	21-25	50%
26-30	45%	26-30	45%
31-35	40%	31-35	40%
36-40	35%	36-40	35%
41-45	30%	41-45	30%
Subsidy Charge to non-lifeline customers	PhP0.0881/kWh	Subsidy Charge to non-lifeline customers	PhP0.0780/kWh

With the implementation of the lifeline structure, Residential consumers of TEI consuming 0-20 kWh per month will still enjoy a one hundred percent (100%) discount in their rates, subject only to the payment of a PhP5.00/month metering charge.

The approved consumption threshold and discounts will benefit thirty-two percent (32%) of TEI's total number of Residential consumers. The resulting lifeline subsidy charge to be shouldered by the non-lifeline customers shall be PhP0.0780/kWh.

WHEREFORE, the foregoing premises considered, the application for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the ERC-approved annual revenue requirement (ARR) under the performance based regulation (PBR) for the regulatory period 2010-2014 filed by Tarlac Electric, Incorporated (TEI) is hereby **APPROVED**.

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

Customer Classes	Units	Approved Rates for Regulatory Year 2011
DISTRIBUTION		
Residential	PhP/kWh	1.1559
Small Commercial	PhP/kWh	1.1559
Commercial/Industrial (Secondary)	PhP/kWh	
	PhP/kW	296.54
Commercial/Industrial (Primary)	PhP/kW	224.30
69 kV	PhP/kW	133.43
Flat/Streetlights	PhP/kWh	0.8754
SUPPLY		
Residential	PhP/kWh	0.2826
	PhP/Cust./Mo.	5.00
Small Commercial	PhP/kWh	0.2826
	PhP/Cust./Mo.	5.00
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	51.41
Commercial/Industrial (Primary)	PhP/Cust./Mo.	51.41
69 kV	PhP/Cust./Mo.	51.41

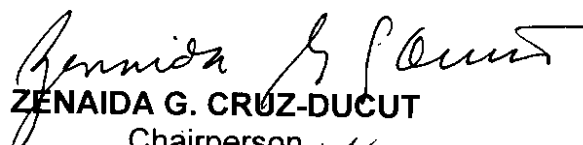
Customer Classes	Units	Approved Rates for Regulatory Year 2011
METERING		
Residential	PhP/kWh	0.2230
	PhP/Cust./Mo.	5.00
Small Commercial	PhP/kWh	0.2230
	PhP/Cust./Mo.	5.00
Commercial/Industrial (Secondary)	PhP/Cust./Mo.	1,250.27
Commercial/Industrial (Primary)	PhP/Cust./Mo.	8,807.55
69 kV	PhP/Cust./Mo.	16,449.74
AVERAGE TOTAL RATE	PhP/kWh	1.2492

TEI is further directed to implement its revised lifeline levels and corresponding discounts and subsidy, as follows:

kWh Consumption	Level of Discount
0-20	100%
21-25	50%
26-30	45%
31-35	40%
36-40	35%
41-45	30%
Subsidy Rate to Non-Lifeline Customers	PhP0.0780/kWh

SO ORDERED.

Pasig City, June 15, 2010.


ZENAIDA G. CRUZ-DUCUT
 Chairperson *quater*


RAUF A. TAN
 Commissioner


ALEJANDRO Z. BARIN
 Commissioner

(On Official Travel)
MARIA TERESA R. CASTAÑEDA
 Commissioner


JOSE C. REYES
 Commissioner

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