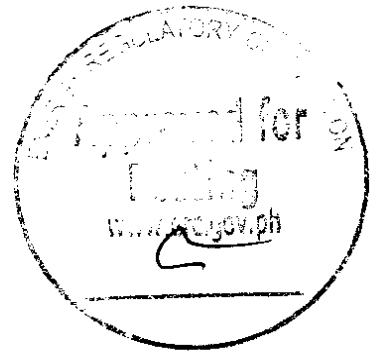


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



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 DAVAO LIGHT AND POWER COMPANY, INCORPORATED (DLPC) UNDER THE PERFORMANCE BASED REGULATION (PBR) FOR THE REGULATORY PERIOD 2010-2014

DAVAO LIGHT AND POWER COMPANY, INC. (DLPC),

Applicant.

x-----x

ERC CASE NO. 2010-036 RC

DOCKETED
Date: JUL 9 9 2010
By: [Signature]

DECISION

Before the Commission for resolution is the application filed on April 26, 2010 by Davao Light and Power Company, Incorporated (DLPC) 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, DLPC alleged, among others, that:

1. It is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at C. Bangoy, Sr. Street, Davao City. It is the exclusive franchise holder issued by the House of Representatives of the Philippines to operate an electric light and power services in Davao City, Panabo City and

the Municipalities of Carmen, Dujali, and Sto. Tomas in Davao del Norte.

2. It will enter PBR at the third entry point, as originally described in Annex B of Resolution No. 12-02, Series of 2004 [Adopting a Methodology for Setting Distribution Wheeling Rates] dated December 10, 2004, and later amended by the Commission to make provision for four (4) entry points.
3. 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)], PBR-entrant distribution utility will be given an ARR which will be used to derive the Maximum Average Price (MAP) which shall be allocated.
4. Thus, in ERC Case No. 2009-041 RC [In the Matter of the Application for Approval of the Annual Revenue Requirement and Performance Incentive Scheme in Accordance with the Provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), DLPC – Applicant], it proposed its ARR and Performance Incentive Scheme (PIS) values, which, when approved, shall form the basis of the Commission’s determination of the X-factor, P₀-factor and the MAP that will apply to it and upon which it will base its rate setting for the Second Regulatory Period.
5. On March 8, 2010, the Commission rendered the Final Determination in ERC Case No. 2009-041 RC where it approved the opening MAP and the smoothing factor (X-factor) that will apply to it at the start of the Second Regulatory Period, as follows:

Raw MAP₂₀₁₁ : PhP1.2930/kWh
 X-factor : -3.36%
 Smoothed MAP₂₀₁₁ : PhP1.1633/kWh

6. Further, based on the Final Determination, its ARR for the First Regulatory Year of the Second Regulatory Period was approved by the Commission as follows:

Building Block	2011 (PhP Million, Nominal)
Return on Capital	1,026.3
OPEX	736.8
Regulatory Depreciation	328.7
Corporate Income Tax	0.0
Other Taxes	21.6
Subtotal	2,113.4
GSL Allowance	10.5
TOTAL Raw ARR	2,123.9
TOTAL Smoothed ARR	1,910.7

7. With the approved Smoothed MAP, it is, therefore, required to convert the same into a distribution rate structure for approval by the Commission.
8. The approved Capital Expenditure Forecasts, Operating and Maintenance Forecasts, Taxes, Levies and Other Duties Expenditure Forecasts, Depreciation on Regulatory Asset Base and Return on Capital were then allocated among its various customer classes.
9. The resulting allocated figures were then translated into distribution, metering and supply charges among various customer classes (excluding the lifeline subsidy schedule).
10. Side constraints were then applied to arrive at the final distribution, metering and supply charges among various customer classes.
11. The computation of the proposed lifeline level and rates, consolidated computation of the proposed distribution, metering and supply charges taking into consideration the proposed lifeline level and rates, and comparison of the existing and proposed rates due to final revenue requirements are attached to the application.
12. All the computations took into consideration applicable PBR guidelines, rules and regulations of the Commission.
13. It requests for approval of this application to allow it to implement the proposed distribution, metering and supply rate structure among its various customer classes, together with the lifeline levels and rates.
14. Thus, it prays that after due notice, hearing and consideration, the instant application be approved and a final authority be issued authorizing it to adopt and implement the following consolidated rate schedule with lifeline levels and rates as follows:

	Distribution		Supply		Metering	
	PhP/kWh	PhP/kW	PhP/kWh	PhP/Cust./Mo.	PhP/kWh	PhP/Meter/Mo.
Residential (1.1)	1.5720	-	0.2042	-	0.1569	5.00
Secondary Retail (2.1)	1.5720	-	0.2042	-	0.1569	5.00
Secondary Retail (3.1)	0.2135	220.37	-	332.58	-	1,060.71
Primary Retail (4.1)	0.0799	167.05	-	3,409.08	-	1,528.76
69 kV – A	-	93.50	-	3,672.14	-	21,368.25
69 kV – B	-	49.53	-	4,789.23	-	27,785.69
Flat Lighting (5.1)	1.1722	-	-	53.61	-	-

Lifeline kWh Consumption	No. of Customers	kWh Consumption	Gen. Charge	Trans. Charge	Dist. Charge (Total)	Total Rate	Gross Revenue	Discount Rate	Revenue Discount
0-20	17,175	117,832	3.3134	0.9167	1.9570	6.1871	729,033	100%	729,033
21-35	12,167	340,737	3.3134	0.9167	1.9570	6.1871	2,108,159	50%	1,054,080
36-40	4,389	165,986	3.3134	0.9167	1.9570	6.1871	1,026,965	45%	462,134
41-45	5,144	219,136	3.3134	0.9167	1.9570	6.1871	1,355,807	40%	542,323
46-50	5,717	271,774	3.3134	0.9167	1.9570	6.1871	1,681,481	35%	588,518
51-55	5,972	313,969	3.3134	0.9167	1.9570	6.1871	1,942,544	30%	582,763
56-60	9,448	556,206	3.3134	0.9167	1.9570	6.1871	3,441,278	25%	860,320
61-100	49,642	3,999,072	3.3134	0.9167	1.9570	6.1871	24,742,486	20%	4,948,497
Total									9,767,668
Total (Annualized)									117,212,017
kWh without Lifeline									1,636,565,615
Lifeline Discount per kWh (Uniform per customer class)									0.0716

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 and pre-trial conference on May 20, 2010 and evidentiary hearing on May 21, 2010.

DLPC 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 Mayors of the Cities and Municipalities within the franchise area of DLPC and the Provincial Governor of Davao del Norte 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 4, 2010, Mr. Hio Tio Lim filed a "Petition for Intervention".

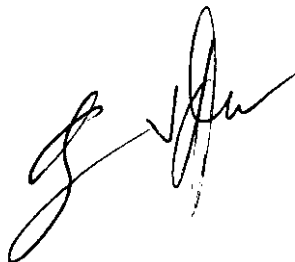
On May 17, 2010, San Miguel Corporation (SMC) filed a "Motion to Participate as Intervenor".

On even date, DLPC submitted its "Pre-Trial Brief".

During the May 20, 2010 initial hearing of this case, the following entered their appearances: a) Atty. Joan A. Giduquio-Baron for DLPC; b) Engr. Robert F. Mallillin for SMC; and c) Mr. Lim. No other intervenor/oppositor appeared nor was there any other intervention/opposition registered.

In the said hearing, Engr. Mallillin furnished the Commission with copies of his "Verification and Certification Against Forum Shopping" and SMC's "Pre-Trial Brief".

DLPC inquired as to the authority of Engr. Mallillin to represent SMC in the instant application inasmuch as SMC failed to attach a board resolution in its



“Motion to Participate as Intervenor” authorizing Engr. Mallillin to appear and represent it before the Commission.


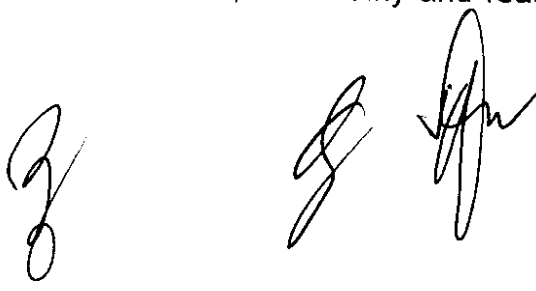
On the other hand, the Commission found that the “Petition for Intervention” filed by Mr. Lim was not verified.

In the interest of equity and fair play, the Commission resolved to provisionally grant the interventions of SMC and Mr. Lim subject to the submission, within five (5) days from said date of hearing, the required board resolution for SMC and a verified petition for Mr. Lim, otherwise, their respective entries of appearance will be stricken off from the records of the case.

DLPC presented its proofs of compliance with the Commission’s posting and publication of notice requirements which were duly marked as Exhibits “A” to “V-3”, 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, DLPC presented its lone witness, Mr. Reynold B. Felix, its Assistant Vice-President for Utility and Economics, who testified, to prove that: a) the allocation among the various customer classes of the approved capital expenditure forecasts, operating and maintenance forecasts, taxes, levies and other duties expenditure forecasts, depreciation on regulatory asset base and return on capital was done fairly and reasonably; b) the translation of the foregoing into distribution, metering and supply charges was, likewise, done fairly and reasonably; c) the said proposed



charges did not breach the side constraints; and d) the proposed lifeline level schedule and rates is an improvement of the existing lifeline schedule and rates and will, therefore, be beneficial to the customers in the franchise area.

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

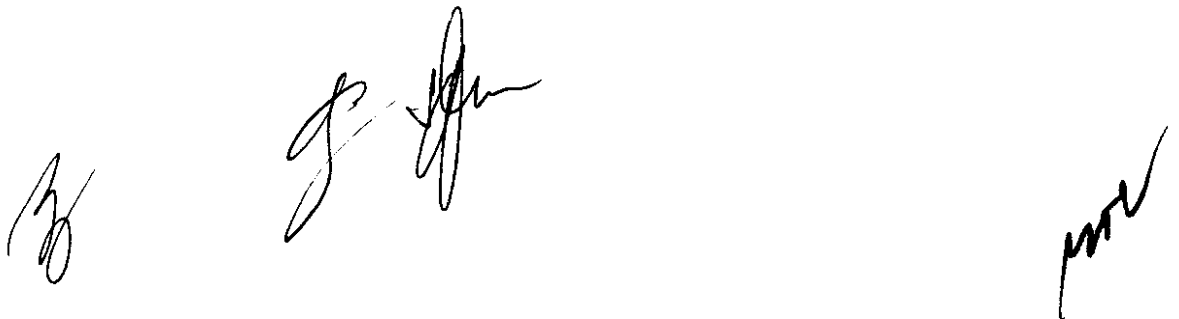
The said witness was, likewise, required to address the clarificatory questions propounded by the Commission.

At the continuation of the hearing on May 21, 2010, Mr. Felix was recalled to the witness stand and was lengthily cross-examined by SMC.

Thereafter, DLPC was directed to submit various documents to facilitate the evaluation of the instant application. At the termination of the hearing, the Commission reiterated its earlier directives for: a) SMC to submit a board resolution authorizing Engr. Mallillin to represent it in the instant application; and b) Mr. Lim to file a verified petition for intervention.

On May 27, 2010, DLPC filed its "Formal Offer of Exhibits" which is hereby admitted for being relevant and material in the final resolution of this application.

To date, the Commission has not received the required documents from SMC and Mr. Lim. Their respective entries of appearance are, therefore, stricken off from the records of the case, hence, this resolution.

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DISCUSSION

On March 8, 2010, the Commission issued a Decision and a Final Determination in ERC Case No. 2009-041 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), DLPC – Applicant] approving, among others, the opening MAP and the smoothing factor (X-factor) that will apply to DLPC at the start of the Second Regulatory Period, as follows:

Raw MAP₂₀₁₁ : PhP1.2930/kWh
X-factor : -3.36%
Smoothed MAP₂₀₁₁ : PhP1.1633/kWh

In the same Final Determination, DLPC's ARR for the First Regulatory Year of the Second Regulatory Period is as follows:

Building Blocks	2011 (PhP Million, Nominal)
Return on Capital	1,026.3
OPEX	736.8
Regulatory Depreciation	328.7
Corporate Income Tax	0.0
Other Taxes	21.6
Subtotal	2,113.4
GSL Allowance	10.5
TOTAL Raw ARR	2,123.9
TOTAL Smoothed ARR	1,910.7

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



The resulting allocated figures were then translated by DLPC into distribution, metering and supply charges among various customer classes (excluding the lifeline subsidy schedule) as shown in the table below:

	Distribution		Supply		Metering	
	PhP/kWh	PhP/kW	PhP/kWh	PhP/Cust./Mo.	PhP/kWh	PhP/Meter/Mo.
Residential (1.1)	1.5720	-	0.2042	-	0.1569	5.00
Secondary Retail (2.1)	1.5720	-	0.2042	-	0.1569	5.00
Secondary Retail (3.1)	0.2135	220.37	-	332.58	-	1,060.71
Primary Retail (4.1)	0.0799	167.05	-	3,409.08	-	1,528.76
69 kV – A	-	93.50	-	3,672.14	-	21,368.25
69 kV – B	-	49.53	-	4,789.23	-	27,785.69
Flat Lighting (5.1)	1.1722	-	-	53.61	-	-

DLPC, likewise, proposed the following lifeline level and rates:

Lifeline kWh Consumption	No. of Customers	kWh Consumption	Gen. Charge	Trans. Charge	Dist. Charge (Total)	Total Rate	Gross Revenue	Discount Rate	Revenue Discount
0-20	17,175	117,832	3.3134	0.9167	1.9570	6.1871	729,033	100%	729,033
21-35	12,167	340,737	3.3134	0.9167	1.9570	6.1871	2,108,159	50%	1,054,080
36-40	4,389	165,986	3.3134	0.9167	1.9570	6.1871	1,026,965	45%	462,134
41-45	5,144	219,136	3.3134	0.9167	1.9570	6.1871	1,355,807	40%	542,323
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51-55	5,972	313,969	3.3134	0.9167	1.9570	6.1871	1,942,544	30%	582,763
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61-100	49,642	3,999,072	3.3134	0.9167	1.9570	6.1871	24,742,486	20%	4,948,497
Total									9,767,668
Total (Annualized)									117,212,017
kWh without Lifeline									1,636,565,615
Lifeline Discount per kWh (Uniform per customer class)									0.0716

1. MAP 2010 Translation Into Distribution Tariffs

The rates applied for by DLPC 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.

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

The Commission finds DLPC's calculated MAP₂₀₁₁ reasonable and consistent with the RDWR.

DLPC proposed new customer classifications, 69 kV-A and 69 kV-B. The 69 kV-A is intended for existing Primary Retail (4.1) customers (minimum of 2 MW demand) who would like to be connected to the 69 kV line since, at present, it is connected to the 13.8 kV. On the other hand, the 69 kV-B is intended for Holcim Philippines and other customers with a minimum demand of 10 MW. In the Final Determination dated March 8, 2010, DLPC's energy forecast included Holcim Philippines' forecasted energy consumption for by reason of the latter's connection to its network.

DLPC further proposed a revised customer class that will combine the Residential (1.1) and Secondary Retail (2.1) customers under one rate. However, it should be noted that residential customers are entitled to certain benefits under the law which are not equally enjoyed by other customer classes, such as: Magna Carta, Lifeline Discounts and Mandated Rate Reduction, among others. Thus, for purposes of statutory benefits, the Commission deems it prudent to retain the distinction between DLPC's Residential (1.1) and Secondary Retail (2.1) customers.

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As regards the rates, the Commission believes that residential (1.1) and secondary retail (2.1) customers should be charged with the same Distribution, Supply and Metering Rates, as shown below:

Customer Classes	Units	Approved Rates for Regulatory Year 2011
DISTRIBUTION		
Residential (1.1)	PhP/kWh	1.5720
Secondary Retail (2.1)	PhP/kWh	1.5720
Secondary Retail (3.1)	PhP/kWh	0.2135
	PhP/kW	220.37
Primary Retail 4.1	PhP/kWh	0.0974
	PhP/kW	121.59
69 kV - A	PhP/kW	93.50
69 kV - B	PhP/kW	49.53
Flat Lighting 5.1	PhP/kWh	1.1722
SUPPLY		
Residential (1.1)	PhP/kWh	0.2043
Secondary Retail (2.1)	PhP/kWh	0.2043
Secondary Retail (3.1)	PhP/Cust./Mo.	332.59
Primary Retail 4.1	PhP/Cust./Mo.	2,481.32
69 kV - A	PhP/Cust./Mo.	333.84
69 kV - B	PhP/Cust./Mo.	4,789.23
Flat Lighting 5.1	PhP/Cust./Mo.	53.61
METERING		
Residential (1.1)	PhP/kWh	0.1569
	PhP/Cust./Mo.	5.00
Secondary Retail (2.1)	PhP/kWh	0.1569
	PhP/Cust./Mo.	5.00
Secondary Retail (3.1)	PhP/Cust./Mo.	1,060.73
Primary Retail 4.1	PhP/Cust./Mo.	1,112.72
69 kV - A	PhP/Cust./Mo.	21,368.71
69 kV - B	PhP/Cust./Mo.	27,786.29
AVERAGE TOTAL RATE	PhP/kWh	1.1633

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 DLPC disclosed that it used the forecasted economic indices in the Final Determination instead of the actual data. The Commission recomputed the Consumer Price Index (CPI) as follows:

DAVAO LIGHT AND POWER CO., INC.

Computation of Side Constraints on Proposed Maximum Distribution Wheeling Rates

$$\frac{((FCR_{k,t}/FQ_{k,t}) - S_t) - ((CR_{k,t-1}/AQ_{k,t-1}) - S_{t-1})}{(CR_{k,t-1}/AQ_{k,t-1}) - S_{t-1}} \leq (CWI_t + SC_t)$$

$\leq 2.74\% + 6.36\%$
 $\leq 9.10\%$

Customer Class	$(FCR_{k,t}/FQ_{k,t}) - S_t$	$(CR_{k,t-1}/AQ_{k,t-1}) - S_{t-1}$	% Increase	
Residential and Secondary Retail (1.1, 2.1)	1.9570	1.8459	6.02%	Within Side Constraints
Secondary Retail (3.1)	0.8686	0.7958	9.15%	Side Constraints Breached
Primary Retail (4.1)	0.4150	0.3848	7.84%	Within Side Constraints
Flat Lighting (5.1)	1.1743	1.0748	9.26%	Side Constraints Breached
Total	1.1633	1.0800	7.71%	Within Side Constraints

Customer Class	$FCR_{k,t}$	$FQ_{k,t}$	S_t	$(FCR_{k,t}/FQ_{k,t}) - S_t$
Residential and Secondary Retail (1.1, 2.1)	1,369,208,039.14	699,653,378.00	0	1.9570
Secondary Retail (3.1)	314,114,588.13	361,631,013.00	0	0.8686
Primary Retail (4.1)	178,333,223.13	429,744,582.00	0	0.4150
Flat Lighting (5.1)	33,914,332.53	28,880,354.00	0	1.1743
Total	1,910,738,363.20	1,642,550,328.00	0	1.1633

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 and Secondary Retail (1.1, 2.1)	1,262,300,345.00	683,826,829.00	0	1.8459
Secondary Retail (3.1)	272,685,255.00	342,655,511.00	0	0.7958
Primary Retail (4.1)	155,576,378.00	404,304,517.00	0	0.3848
Flat Lighting (5.1)	30,496,899.00	28,374,487.00	0	1.0748
Total	1,721,058,877.00	1,593,573,036.00	0	1.0800

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. With the exception of the Secondary Retail (3.1) and Flat Lighting (5.1) customers, the side constraints set in the Final Determination were not breached for any other customer category, as evidenced

in the foregoing re-computation. 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 DLPC's current rates from the computed MAP₂₀₁₁:

Customer Classes	Units	Existing (a)	DLPC's Proposed Rates (b)	Commission's Computed Rates for Regulatory Year 2011 (c)	Increase / (Decrease) (c-a)
DISTRIBUTION					
Residential (1.1)	PhP/kWh	1.2409	1.5720	1.5720	0.3311
Secondary Retail (2.1)	PhP/kWh	0.6694	1.5720	1.5720	0.9036
Secondary Retail (3.1)	PhP/kWh	0.2603	0.2135	0.2135	(0.0468)
	PhP/kW	58.85	220.37	220.37	161.52
Primary Retail 4.1	PhP/kWh	0.1130	0.0799	0.0974	(0.0156)
	PhP/kW	46.86	167.05	121.59	74.73
69kV - A	PhP/kW	0	93.50	93.50	93.50
69kV - B	PhP/kW	0	49.53	49.53	49.53
Flat Lighting 5.1	PhP/kWh	0.8317	1.1722	1.1722	0.3405
SUPPLY					
Residential (1.1)	PhP/kWh	0.1716	0.2042	0.2043	0.0327
Secondary Retail (2.1)	PhP/kWh	0	0.2042	0.2043	0.2043
Secondary Retail (2.1)	PhP/Cust./Mo.	26.24	0	0	(26.24)
Secondary Retail (3.1)	PhP/Cust./Mo.	262.36	332.58	332.59	70.23
Primary Retail 4.1	PhP/Cust./Mo.	2,623.59	3,409.08	2,481.32	(142.27)
69kV - A	PhP/Cust./Mo.	0	3,672.14	333.84	333.84
69kV - B	PhP/Cust./Mo.	0	4,789.23	4,789.23	4,789.23
Flat Lighting 5.1	PhP/Cust./Mo.	26.24	53.61	53.61	27.37
METERING					
Residential (1.1)	PhP/kWh	0.2249	0.1569	0.1569	(0.0680)
	PhP/Cust./Mo.	5.00	5.00	5.00	0
Secondary Retail (2.1)	PhP/kWh	0	0.1569	0.1569	0.1569
	PhP/Cust./Mo.	161.84	5.00	5.00	(156.84)
Secondary Retail (3.1)	PhP/Cust./Mo.	754.66	1,060.71	1,060.73	306.07
Primary Retail 4.1	PhP/Cust./Mo.	991.45	1,528.76	1,112.72	121.27
69kV - A	PhP/Cust./Mo.	0	21,368.25	21,368.71	21,368.71
69kV - B	PhP/Cust./Mo.	0	27,785.69	27,786.29	27,786.29
AVERAGE TOTAL RATE	PhP/kWh	1.0800	1.1633	1.1633	0.0833

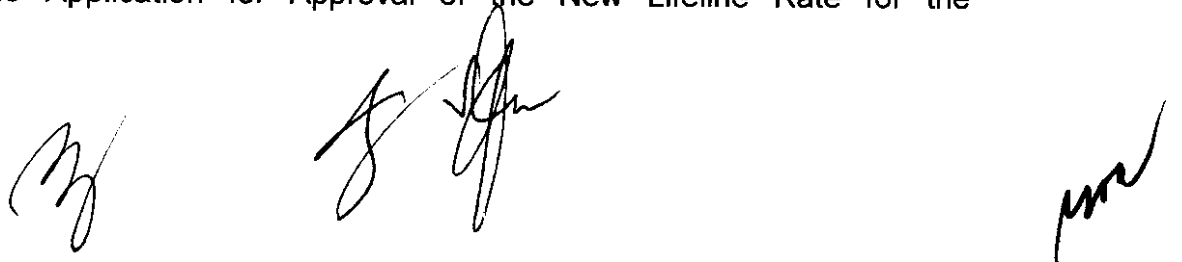
The Commission has set DLPC's MAP for the regulatory year 2011 at PhP1.1633/kWh. There is an increase of PhP0.0833/kWh from its existing average distribution rate for the year 2009 of PhP1.0800/kWh, or 7.71%.

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. 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 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 of 9.10% for Secondary Retail (3.1) customers by 0.05% and Flat Lighting (5.1) customers by 0.16% to avert any future under-recoveries.

3. Lifeline Rate and Level


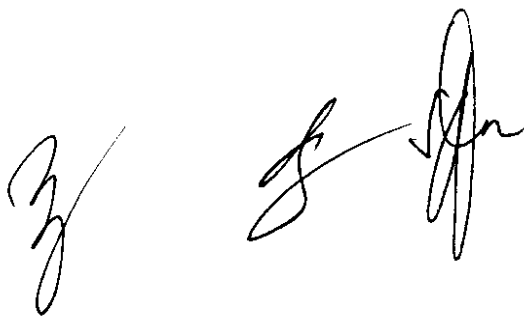
In computing the lifeline rates, the Commission made reference to its earlier Decision dated November 10, 2008 in ERC Case No. 2008-016 RC [In the Matter of the Application for Approval of the New Lifeline Rate for the



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.

Accordingly, the Commission deems it necessary to modify DLPC's lifeline structure, as follows:

kWh Consumption	Level of Discount
0-20	100%
21-35	50%
36-40	45%
41-45	40%
46-50	35%
51-55	30%
56-60	25%
61-70	20%
71-80	15%
81-90	10%
91-100	5%
Subsidy Rate to Non-Lifeline Customers	PhP0.0752/kWh



With the implementation of the new lifeline structure, Residential consumers of DLPC consuming 0-20 kWh per month will 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 forty-six percent (46%) of DLPC's total number of Residential consumers. The resulting lifeline subsidy charge to be shouldered by the non-lifeline customers shall be PhP0.0752/kWh.

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

Particulars	Per Last Approved Rates (Unbundling)	Proposed in this Rate Application	Commission Approved	
			kWh Consumption	Level of Discount
0-40	50%	100%	0-20	100%
		50%	21-35	50%
41-50	45%	45%	36-40	45%
51-60	40%	40%	41-45	40%
61-70	35%	35%	46-50	35%
71-80	30%	30%	51-55	30%
81-90	20%	25%	56-60	25%
91-100	10%	20%	61-70	20%
Subsidy Charge to non-lifeline customers	PhP0.0720/kWh	PhP0.0716/kWh	71-80	15%
			81-90	10%
			91-100	5%
			Subsidy Charge to non-lifeline customers	PhP0.0752/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 Davao Light and Power Company, Incorporated (DLPC) is hereby **APPROVED WITH MODIFICATION**.

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

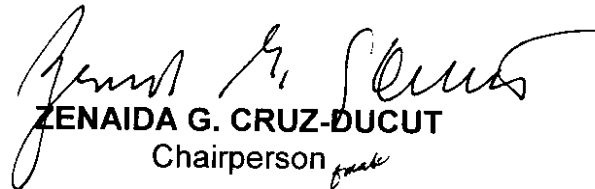
Customer Classes	Units	Approved Rates for Regulatory Year 2011
DISTRIBUTION		
Residential (1.1)	PhP/kWh	1.5720
Secondary Retail (2.1)	PhP/kWh	1.5720
Secondary Retail (3.1)	PhP/kWh	0.2135
	PhP/kW	220.37
Primary Retail 4.1	PhP/kWh	0.0974
	PhP/kW	121.59
69 kV - A	PhP/kW	93.50
69 kV - B	PhP/kW	49.53
Flat Lighting 5.1	PhP/kWh	1.1722
SUPPLY		
Residential (1.1)	PhP/kWh	0.2043
Secondary Retail (2.1)	PhP/kWh	0.2043
Secondary Retail (3.1)	PhP/Cust./Mo.	332.59
Primary Retail 4.1	PhP/Cust./Mo.	2,481.32
69 kV - A	PhP/Cust./Mo.	333.84
69 kV - B	PhP/Cust./Mo.	4,789.23
Flat Lighting 5.1	PhP/Cust./Mo.	53.61
METERING		
Residential (1.1)	PhP/kWh	0.1569
	PhP/Cust./Mo.	5.00
Secondary Retail (2.1)	PhP/kWh	0.1569
	PhP/Cust./Mo.	5.00
Secondary Retail (3.1)	PhP/Cust./Mo.	1,060.73
Primary Retail 4.1	PhP/Cust./Mo.	1,112.72
69 kV - A	PhP/Cust./Mo.	21,368.71
69 kV - B	PhP/Cust./Mo.	27,786.29
AVERAGE TOTAL RATE	PhP/kWh	1.1633

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

kWh Consumption	Level of Discount
0-20	100%
21-35	50%
36-40	45%
41-45	40%
46-50	35%
51-55	30%
56-60	25%
61-70	20%
71-80	15%
81-90	10%
91-100	5%
Subsidy Rate to Non-Lifeline Customers	PhP0.0752/kWh

SO ORDERED.

Pasig City, June 15, 2010.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner

(On Official Travel)
MARIA TERESA R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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4. Office of the Commission on Audit
Don Mariano Marcos Avenue, Diliman, Quezon City
5. The Committee On Energy
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City
6. The Committee On Energy
House of Representatives
Batasan Hills, Quezon City
7. Office of the City Mayor
Davao City
8. Office of the Municipal Mayor
Carmen, Davao del Norte
9. Office of the Municipal Mayor
Dujali, Davao del Norte
10. Office of the Municipal Mayor
Panabo, Davao del Norte
11. Office of the Municipal Mayor
Sto. Tomas, Davao del Norte
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