

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

**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),**

**ERC CASE NO. 2008- RC**

**MACTAN ELECTRIC COMPANY, INC.**

Applicant.

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**APPLICATION**

COMES NOW, applicant *MACTAN ELECTRIC COMPANY, INC* through the undersigned counsel, and unto this Honorable Commission, most respectfully states; that:

1. Applicant is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Sangi Road, Pajo, Lapu-lapu City, Cebu where it may be served with summons and other legal processes, represented in this instance by its General Manager, Gilbert A. Pagobo of legal age, *Filipino, Married* and with office address also at Sangi Road, Pajo, Lapu-lapu City, Cebu. Herein applicant is the exclusive franchise holder issued by Congress of the Philippines/National Electrification Commission to operate an electric light and power services in the Municipalities/cities of Lapu-lapu & Municipality of Cordova all in the Province of Cebu.
2. Applicant will enter Performance-Based Regulation at the second entry point, as originally described in Annex B of Commission Resolution No. 12-02 Series of 2004 "Adopting a Methodology for Setting Distribution Wheeling Rates", dated December 10, 2004, and later amended by the Energy Regulatory Commission (Commission) to make provision for four entry points. The application submitted to the Commission is for the approval of the Annual Revenue Requirement and Performance Incentive Scheme required for the Second Regulatory Period described in the Rules for setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities entering Performance Based Regulation (Second and later Entry Points) issued by the Commission on December 13, 2006. This Second Regulatory Period commences on April 1, 2009 and terminates in March 31, 2013.

- 2a. Applicant proposes the Annual Revenue Requirement and Performance Incentive Scheme values thus approved to form the basis of the Commission's determination of the X-factor, P<sub>0</sub>-factor and the Maximum Annual Prices that will apply to the applicant and on which it will base its rate setting for the Second Regulatory Period.
3. Applicant has prepared its proposal as contained in this application in accordance with the conditions described in the afore-mentioned RDWR and in the implementing guidelines issued by the Commission in its Position Paper on the Regulatory Reset for the October 2008 to September 2012 Regulatory Period for Privately Owned Distribution Utilities subject to Performance Based Regulation, dated March 14, 2007 (Position Paper)<sup>1</sup>. The application submitted to the Commission made use of the methodology described in the RDWR, the Position Paper and applied the financial spreadsheet model titled Commission-MODEL-2ND ENTRY-V1.0.xls (Price-Cap Model) that was provided to the applicant by the Commission.
4. The proposed Annual Revenue Requirement is based on the Building Block calculation described in the afore-mentioned RDWR, as set out below for each Regulatory Year and for which the applicant is seeking the immediate approval of the Commission:

**Table 1. Annual Revenue Requirement as per Building Block approach**

| Building Block                                    | Proposed revenue requirement per Regulatory Year (PhP) |                    |                    |                    |
|---|--|--------------------|--------------------|--------------------|
|   | 2010   | 2011               | 2012               | 2013               |
| Operating and maintenance expenditure             | 74,820,163.11  | 77,379,707.79      | 85,213,224.68      | 94,901,670.18      |
| Taxes, levies & duties (other than corporate tax) | 23,891,166.89  | 26,290,081.14      | 29,239,094.14      | 32,973,532.48      |
| Regulatory depreciation                           | 43,329,124.81  | 46,331,660.06      | 49,285,460.93      | 50,269,353.80      |
| Return on capital                                 | 106,896,059.72   | 115,403,915.95     | 118,682,647.37     | 118,130,055.99     |
| Corporate income tax (pls verify formula error)   |  | 4,620,603.15       | 33,235,868.93      | 50,395,976.99      |
| <b>TOTAL REVENUE REQUIREMENT</b>                  | <b>248,936,515</b>                                     | <b>270,025,968</b> | <b>315,656,296</b> | <b>346,670,589</b> |

Note : All values are in nominal terms

The meaning and application of these parameters are as described in the afore-mentioned RDWR.

5. The afore-mentioned Annual Revenue Requirement is based on a proposed rolled-forward value of the applicant's Regulatory Asset Base as described below. The opening value of the Regulatory Asset Base for 2009 is based on the value of the Regulatory Asset Based on December 31, 2007, as valued by the Commission and communicated to the applicant,

<sup>1</sup> The dates for the Second Regulatory Period for the second entry group were amended by the Commission after publication of this document and are now as stated in paragraph 2.

suitably amended to a March 31, 2009 value in accordance with the method described in the RDWR.

**Table 2. Summary of proposed Rolled-forward Regulatory Asset Base (RAB)**

| ITEM  | PhP for Regulatory Year |                |                |                |
|---|-------------------------|----------------|----------------|----------------|
|   | 2010                    | 2011           | 2012           | 2013           |
| Opening value of RAB  | 793,330,713.13          | 872,039,636.88 | 926,081,244.57 | 922,787,800.09 |
| plus Capital Expenditure  | 121,372,037.46          | 99,852,045.34  | 45,469,339.94  | 43,316,006.07  |
| minus Regulatory Depreciation on asset base at start of Second Regulatory Period                  | 25,662,358.25           | 25,525,139.34  | 25,273,214.64  | 25,154,574.98  |
| minus Regulatory Depreciation on capital expenditure incurred during the Second Regulatory Period | 43,329,124.81           | 46,331,660.06  | 49,285,460.93  | 50,269,353.80  |
| Closing value of RAB  | 872,039,636.88          | 926,081,244.57 | 922,787,800.09 | 916,867,720.67 |
| <b>AVERAGE VALUE OF RAB</b>   | 832,685,175.01          | 899,060,440.72 | 924,434,522.33 | 919,827,760.38 |

Note : All values are in nominal terms

6. For the calculation of the above-mentioned Annual Revenue Requirement and Rolled-forward Regulatory Asset Base, as instructed by the Commission, applicant has applied the preliminary values for the parameters presented below:

**Table 2. Input values provided by the Commission**

| Parameter  | Date instructed by Commission | Preliminary value adopted                                   |
|--|-------------------------------|---|
| Construction work in progress factor (CWIP factor)                     | 04/30/2008                    | For substation projects : 3.6%<br>For other projects : 2.6% |
| P <sub>0</sub> -factor   |                               | 0 PhP/kWh   |
| X-factor   |                               | - 0.1582  |
| Valuation of the applicant's regulatory asset base as at Dec. 31, 2007 |                               | PhP 684,216,982.00  |
| Working-capital proportion   |                               | 3%  |

The meaning and application of these parameters are as described in the afore-mentioned RDWR.

7. In calculating the afore-mentioned Annual Revenue Requirement for the Second Regulatory Period, the applicant made use of the estimated Philippine Consumer Price Index, United States of America Consumer Price Index and Philippine Peso/United States dollar exchange rate figures below (figures provided for calendar years and converted to regulatory years):

**Table 3a. Forecast Change in the Consumer Price Index for the Philippines**

|                 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|------|------|------|------|------|------|
| Calendar Year   |      |      |      |      |      |      |
| Regulatory Year |      | 3.9% | 3.6% | 3.5% | 3.4% | 3.4% |
| Data source :   |      |      |      |      |      |      |

**Table 3b. Forecast Change in the Consumer Price Index for the United States of America**

|                 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|-----------------|------|------|------|------|------|------|
| Calendar Year   |      |      |      |      |      |      |
| Regulatory Year |      | 2.7% | 2.1% | 2.4% | 2.4% | 2.4% |
| Data source :   |      |      |      |      |      |      |

**Table 3c. Forecast PhP/US\$ Exchange Rate (average for the year)**

| Quarter ending  | 2008 | 2009  | 2010  | 2011  | 2012  | 2013  |
|-----------------|------|-------|-------|-------|-------|-------|
| Calendar Year   |      |       |       |       |       |       |
| Regulatory Year |      | 41.43 | 42.08 | 42.08 | 42.23 | 42.00 |
| Data source :   |      |       |       |       |       |       |

- 7a. For the purposes of the initial and subsequent annual price resets during the Second Regulatory Period as required in terms of the RDWR, the applicant will update the aforementioned Consumer Price Indices and foreign exchange rates with actual values in accordance with the RDWR and will use such updated values for the price resets.
8. The afore-mentioned Annual Revenue Requirement is in part based on a proposed rate of return of 12.80% per annum. This rate of return corresponds with the Regulatory Weighted Average Cost of Capital allowed in terms of the Commission's Final Determination on the price control arrangements for utilities entering Performance Based Regulation at the first entry point. The applicant recognizes that the Commission will revise the actual Weighted Average Cost of Capital that will apply in its Final Determination of the price control arrangements for the Second Regulatory Period for the second entry group and that this may differ from the figure used in this Revenue Application.
9. Allowance has been made in accordance with the RDWR to include assets used beyond their standard lives in the Regulatory Asset Base, at a value equal to 5% of their optimized replacement cost.
10. The proposed Capital Expenditure included in the afore-mentioned calculation of the Rolled-forward Regulatory Asset Base is as demonstrated below:

**Table 4. Proposed Capital Expenditure (per regulatory year)**

| ITEM<br>Capex Category  | NOMINAL PESO |              |            |           |           |
|---|--------------|--------------|------------|-----------|-----------|
|   | 2009         | 2010         | 2011       | 2012      | 2013      |
| <b>A REGULATED DISTRIBUTION SERVICES ASSETS</b>                   |              |              |            |           |           |
| <b>A1 Regulated Distribution Services Assets – Network assets</b> |              |              |            |           |           |
| Land and Land Rights  |              | 21,150,703.4 |            |           |           |
| Structures and Improvements                                       |              |              | 6,404,657  |           |           |
| Station Equipment   |              |              | 29,569,626 |           |           |
| Power transformers  |              |              | 9,874,666  | 2,374,183 | 2,387,412 |
| Switchgear  |              | 4,247,227    | 4,275,849  |           |           |
| Protective equipment  | 606,462      |              |            |           |           |
| Metering & control equipment                                      |              |              | 5,586,505  |           |           |
| Communications equipment  |              |              |            |           |           |
| Other station equipment   |              |              |            |           |           |
| Poles, Towers and Fixtures  | 3,658,276.   | 22,941,163   | 3,602,940  | 2,478,146 | 5,792,695 |

| ITEM  | NOMINAL PESO |            |                       |            |            |
|---|--------------|------------|-----------------------|------------|------------|
|   | 2009         | 2010       | 2011                  | 2012       | 2013       |
| <b>Capex Category</b>   |              |            |                       |            |            |
| Overhead Conductors and Devices   | 9,188,921    |            |                       |            |            |
| Underground Conduits  |              | 12,726,406 | 10,117,427            | 7,271,855  | 7,779,052  |
| Underground Conductors and Devices  |              |            | 23,160,412<br>835,566 |            |            |
| Line (distribution) Transformers  | 10,284,518   |            |                       |            |            |
| Power Conditioning Equipment  | 209,264      | 13,556,543 | 14,132,944            | 16,546,453 | 11,439,975 |
| Meters, Instruments & Metering Transformers   | 8,050,571    |            |                       | 232,350    | 240,250    |
| Information Technology Equipment  | 1,223,765    | 8,472,622  | 9,066,044             | 9,459,972  | 9,522,851  |
| Regulated Entity Property on Consumer's Premises  |              |            |                       |            |            |
| Street Lights and Signal Systems  |              |            |                       |            |            |
| Submarine Cables  |              |            |                       |            |            |
| <b>A2 Regulated Distribution Services Assets – Non-network fixed assets</b>                 |              |            |                       |            |            |
| Land and Land Rights  | 15,910,980   |            |                       |            |            |
| Structures and Improvements   |              |            |                       |            |            |
| Office Furniture and Equipment  | 214,159      | 217,763    | 54,741                | 56,616     | 58,540     |
| Transportation Equipment  | 244,753      | 8,121,870  | 1,598,427             | 1,019,079  |            |
| Stores Equipment  |              |            |                       |            |            |
| Tools, Shop and Garage Equipment  | 332,303      | 326,250    | 83,206                | 312,518    | 229,479    |
| Laboratory Equipment  | 1,427,725    | 317,261    |                       |            |            |
| Information Systems Equipment   | 78,525       |            |                       |            |            |
| Power-operated Equipment  |              |            |                       |            |            |
| Communication Plant and Equipment   | 509,902      |            |                       | 45,292     |            |
| Miscellaneous Equipment   | 15,297       | 10,575     | 10,948                | 11,323     | 11,708     |
| <b>A3 Regulated Distribution Services Assets – Materials and supplies, including spares</b> |              |            |                       |            |            |
| <b>A4 Regulated Distribution Services Assets – Transferred Subtransmission Assets</b>       |              |            |                       |            |            |
| <b>Subtotal A</b>   |              |            |                       |            |            |
| <b>B DISTRIBUTION CONNECTION SERVICES ASSETS</b>  |              |            |                       |            |            |
| <b>B1 Distribution Connection Services Assets – Network assets</b>                          |              |            |                       |            |            |
| Poles, Towers and Fixtures  |              |            |                       |            |            |
| Overhead Conductors and Devices   |              |            |                       |            |            |
| Underground Conduits  |              |            |                       |            |            |
| Underground Conductors and Devices  |              |            |                       |            |            |
| Line (distribution) Transformers  |              |            |                       |            |            |
| Information Systems Equipment   |              |            |                       |            |            |
| <b>B2 Distribution Connection</b>   |              |            |                       |            |            |

| ITEM   | NOMINAL PESO |             |            |            |            |
|--|--------------|-------------|------------|------------|------------|
|  | 2009         | 2010        | 2011       | 2012       | 2013       |
| <b>Capex Category</b>  |              |             |            |            |            |
| <b>Services Assets – Non-network fixed assets</b>  |              |             |            |            |            |
| Land and Land Rights   |              |             |            |            |            |
| Structures and Improvements  |              |             |            |            |            |
| Office Furniture and Equipment   |              |             |            |            |            |
| Transportation Equipment   |              |             |            |            |            |
| Stores Equipment   |              |             |            |            |            |
| Tools, Shop and Garage Equipment   |              |             |            |            |            |
| Laboratory Equipment   |              |             |            |            |            |
| Information Systems Equipment  |              |             |            |            |            |
| Power-operated Equipment   |              |             |            |            |            |
| Communication Plant and Equipment  |              |             |            |            |            |
| Miscellaneous Equipment  |              |             |            |            |            |
| <b>B3 Distribution Connection Services Assets – Materials and supplies, including spares</b> |              |             |            |            |            |
| <b>Subtotal B</b>  |              |             |            |            |            |
| <b>C REGULATED RETAIL SERVICES ASSETS</b>  |              |             |            |            |            |
| <b>C Regulated Retail Services Assets</b>  |              |             |            |            |            |
| Meters, Instruments & Metering Transformers  |              |             |            |            |            |
| Land and Land Rights   |              |             |            |            |            |
| Structures and Improvements  |              |             |            |            |            |
| Office Furniture and Equipment   |              |             |            |            |            |
| Transportation Equipment   |              |             |            |            |            |
| Stores Equipment   |              |             |            |            |            |
| Tools, Shop and Garage Equipment   |              |             |            |            |            |
| Laboratory Equipment   |              |             |            |            |            |
| Information Systems Equipment  |              |             |            |            |            |
| Communication Plant and Equipment  |              |             |            |            |            |
| Miscellaneous Equipment  |              |             |            |            |            |
| <b>Subtotal C</b>  |              |             |            |            |            |
| <b>TOTAL</b>   | 57,054,441   | 121,372,037 | 99,852,045 | 45,469,340 | 43,316,006 |

10a. The above-mentioned proposed Capital Expenditure is increased from current levels for the following reasons:

10.b The increases reflect new capital expenditure required to meet growing energy demand, increased customer numbers, service quality and performance measurement improvements, compliance to the Grid and Distribution Codes, the Distribution Service and Open Access Rules (“DSOAR”) and other ERC Technical Compliances, security and reliability of grid

connection and the replacement of ageing or obsolete equipment. The increases will help to improve the quality of service that the applicant is rendering to its customers, especially on reliability, efficiency and customer care. It also includes the purchase cost for the National Transmission Corporation's sub-transmission assets. (more detailed explanation and justification on Capital Expenditure is contained in Schedule C)

11. The proposed Operating & Maintenance Expenditure included in the afore-mentioned calculation of the Annual Revenue Requirement is as demonstrated below:

**Table 5. Proposed Operating & Maintenance Expenditure (per regulatory year)**

| Opex Category and Sub-category           | Nominal PhP |            |            |            |            |
|--|-------------|------------|------------|------------|------------|
|  | 2009        | 2010       | 2011       | 2012       | 2013       |
| <b>A REGULATED DISTRIBUTION SERVICES</b> |             |            |            |            |            |
| <b>A1. Distribution : Operation</b>      | 962,562     | 1,142,863  | 1,365,228  | 1,618,306  | 1,924,328  |
| Operation supervision & engineering      | 638,155     | 761,030    | 906,035    | 1,077,627  | 1,281,406  |
| Load dispatching                         |             |            |            |            |            |
| Structures                               |             |            |            |            |            |
| Substations                              | 285,545     | 340,526    | 405,409    | 482,188    | 573,370    |
| Overhead conductors & devices            | 765,545     | 912,949    | 1,086,900  | 1,292,745  | 1,537,203  |
| Underground cables & devices             |             |            |            |            |            |
| Line (distribution) transformers         |             |            |            |            |            |
| Streetlighting                           |             |            |            |            |            |
| Metering (network related only)          | 1,207,549   | 1,440,060  | 1,714,446  | 2,039,140  | 2,424,742  |
| Line (distribution) transformers         | 318,929     | 370,418    | 429,492    | 497,506    | 576,152    |
| Rents                                    | 407,922     | 465,315    | 529,890    | 602,842    | 685,673    |
| Information technology                   | 3,841,581   | 2,666,234  | 3,036,043  | 3,454,255  | 3,928,869  |
| Miscellaneous                            | 1,207,549   | 1,440,060  | 1,714,446  | 2,039,140  | 2,424,742  |
| <b>A2. Distribution : Maintenance</b>    |             |            |            |            |            |
| Maintenance supervision & engineering    | 359,878     | 429,172    | 510,945    | 607,712    | 722,630    |
| Structures                               | 1,113,369   | 1,326,842  | 1,578,651  | 1,876,509  | 2,231,106  |
| Substations                              | 438,323     | 517,986    | 613,024    | 723,536    | 792,750    |
| Overhead conductors & devices            | 1,489,995   | 1,730,232  | 2,034,471  | 2,390,838  | 2,810,033  |
| Underground cables & devices             | 94,230      | 107,488    | 122,404    | 139,256    | 158,389    |
| Streetlighting                           | 1,027,962   | 1,172,595  | 1,335,322  | 1,519,162  | 1,727,894  |
| Line (distribution) transformers         | 737,318     | 841,058    | 957,775    | 1,089,637  | 1,239,352  |
| Information technology                   | 815,843     | 264,384    | 301,074    | 342,524    | 389,587    |
| Metering                                 | 359,878     | 429,172    | 510,945    | 607,712    | 722,630    |
| Miscellaneous                            | 1,113,369   | 1,326,842  | 1,578,651  | 1,876,509  | 2,231,106  |
| <b>A3. Administrative &amp; General</b>  |             |            |            |            |            |
| Admin & general salaries                 | 2,514,680   | 2,998,878  | 3,570,276  | 4,061,814  | 4,829,902  |
| Office supplies & expenses               | 1,031,520   | 1,191,176  | 1,339,943  | 1,536,400  | 1,754,754  |
| Information technology                   | -           | -          | -          | -          | -          |
| Outside services employed                | 3,859,958   | 8,125,043  | 5,563,841  | 5,745,343  | 5,474,352  |
| Property insurance                       | 1,376,408   | 1,570,066  | 1,787,953  | 2,034,109  | 2,313,595  |
| Injuries & damages                       | 616,981     | 703,790    | 801,458    | 911,799    | 1,037,080  |
| Employee pension & benefits              | 4,641,771   | 5,376,905  | 6,237,185  | 7,248,583  | 8,443,668  |
| Regulatory liaison and compliance        | 761,039     | 868,116    | 988,588    | 1,124,692  | 1,279,225  |
| Rents                                    | -           | -          | -          | -          | -          |
| Maintenance of office & general plant    | 2,587,544   | 2,845,855  | 3,131,306  | 3,449,177  | 3,806,013  |
| Officers allowance & benefits            | 11,593,243  | 12,382,841 | 13,203,916 | 14,065,833 | 14,980,393 |
| Travel                                   | 3,216,054   | 3,601,846  | 4,027,116  | 4,498,248  | 5,023,283  |
| Training                                 | 2,006,798   | 2,111,752  | 2,222,217  | 2,329,809  | 2,446,169  |
| Miscellaneous                            | 3,426,541   | 3,739,709  | 4,085,912  | 4,448,583  | 4,859,682  |
| WESM compliance (applicable to           |             |            |            |            |            |

| Opex Category and Sub-category   | Nominal PhP |            |            |            |            |
|--|-------------|------------|------------|------------|------------|
|  | 2009        | 2010       | 2011       | 2012       | 2013       |
| Regulated Distribution Services)<br>Registration fees<br>Metering fees<br>Billing & settlement fees<br>Costs for the PEM board,<br>committees & working groups<br>Market management software   |             |            |            |            |            |
| <b>Subtotal A</b>  | 53,091,037  | 61,142,576 | 65,240,991 | 72,818,809 | 81,166,805 |
| <b>B DISTRIBUTION CONNECTION SERVICES</b>  |             |            |            |            |            |
| <b>B1. Connection Services: Operation</b><br>Operation supervision & engineering<br>Load dispatching<br>Structures<br>Overhead conductor & devices<br>Underground cables & devices<br>Consumer installations<br>Line (distribution) transformers<br>Information technology   |             |            |            |            |            |
| <b>B2. Connection Services: Maintenance</b><br>Supervision & engineering<br>Structures<br>Overhead conductors & devices<br>Underground cables & devices<br>Consumer installations<br>Line (distribution) transformers<br>Information technology<br>Miscellaneous   |             |            |            |            |            |
| <b>B3. Administrative &amp; General</b><br>Admin & general salaries<br>Office supplies & expenses<br>Information technology<br>Outside services employed<br>Property insurance<br>Injuries & damages<br>Employee pension & benefits<br>Regulatory liaison and compliance<br>Rents<br>Maintenance of office & general plant<br>Officers allowance & benefits<br>Travel<br>Training<br>Miscellaneous |             |            |            |            |            |
| <b>Subtotal B</b>  |             |            |            |            |            |
| <b>C REGULATED RETAIL SERVICES</b>   |             |            |            |            |            |
| Administration & management  | 242,283     | 288,934    | 343,986    | 409,133    | 486,500    |
| Planning, installation and maintenance<br>of consumer metering installations   | -           | -          | -          | -          | -          |
| Meter reading expenses   | 1,437,586   | 1,714,391  | 2,041,047  | 2,427,595  | 2,886,654  |
| Information technology   |             |            |            |            |            |
| Consumer records, billing & collection   | 2,836,938   | 3,383,186  | 4,027,810  | 4,790,627  | 5,696,534  |
| Bad debts  | 11,013,882  | 8,291,076  | 5,725,873  | 4,767,061  | 4,665,177  |
| Informational & instructional<br>advertising   |             |            |            |            |            |
| Energy trading expenses (excluding<br>energy purchases)  |             |            |            |            |            |
| Consumer prompt payment discounts  |             |            |            |            |            |
| Miscellaneous  |             |            |            |            |            |
| <b>Subtotal C</b>  | 15,530,690  | 13,677,587 | 12,138,716 | 12,394,416 | 13,734,865 |

| Opex Category and Sub-category | Nominal PhP |            |            |            |            |
|--------------------------------|-------------|------------|------------|------------|------------|
|                                | 2009        | 2010       | 2011       | 2012       | 2013       |
| <b>TOTAL</b>                   | 68,621,727  | 74,820,163 | 77,379,708 | 85,213,225 | 94,901,670 |

- 11a. The above-mentioned proposed Operating and Maintenance expenditure are increased from current levels for the following reasons:
- 11.b The proposed increase in operating and maintenance expenditure is a result of increased maintenance and updating of the existing and new assets, increased inputs required to service the growing asset and customer base, compliance to the Grid and Distribution Codes, the Distribution Service and Open Access Rules (DSOAR) and other ERC Technical Compliances, inflationary pressures, and to improve the quality of service that the applicant is rendering to its customers, especially on reliability, efficiency and customer care. (more detailed explanation and justification on Operating and Maintenance Expenditure is contained in Schedule G).
12. The proposed expenditure on Taxes, Levies & Duties (other than corporate income tax) included in the afore-mentioned calculation of the Annual Revenue Requirement is as demonstrated below:

**Table 6. Summary of proposed Taxes, Levies & Duties (other than corporate income tax) expenditure (per Regulatory Year)**

|                    | Nominal PhP   |               |               |               |               |
|--------------------|---------------|---------------|---------------|---------------|---------------|
|                    | 2009          | 2010          | 2011          | 2012          | 2013          |
| <b>Levies</b>      | -             | 1,285,572.44  | 708,238.08    | 233,895.37    | -             |
| <b>Duties</b>      | 5,868,852.61  | 6,363,594.67  | 6,875,299.27  | 7,408,009.13  | 7,967,218.81  |
| <b>Other taxes</b> | 55,710,642.65 | 16,241,999.79 | 18,706,543.80 | 21,597,189.64 | 25,006,313.68 |
| <b>TOTAL</b>       | 61,579,495.26 | 23,891,166.89 | 26,290,081.14 | 29,239,094.14 | 32,973,532.48 |

- 12a. The above-mentioned proposed taxes, levies & duties (other than corporate income taxes) expenditure are increased from current levels for the following reasons:
- 12b. The annual provision on taxes, levies & duties (other than corporate income tax) is required due to the increasing level of proposed revenue, changes in local government tax ordinances and impositions, regulatory compliances, and additional assets being acquired. (more detailed explanation and justification on Taxes, Levies & Duties (other than corporate income tax is contained in Schedule G)
13. The proposed Depreciation included in the afore-mentioned calculation of the Annual Revenue Requirement, including an allowance for assets intended to be disposed of during the Second Regulatory Period after allowing for any potential income from the sales of such

disposed assets, is as demonstrated below. These values include depreciation on the applicant's Regulatory Asset Base as at the start of the Second Regulatory Period, as well as depreciation on those assets proposed to be acquired during the Second Regulatory Period.

**Table 7. Summary of proposed Depreciation (per Regulatory Year)**

| ITEM<br>Depreciation Category   | NOMINAL PESO |              |              |              |              |
|---|--------------|--------------|--------------|--------------|--------------|
|   | 2009         | 2010         | 2011         | 2012         | 2013         |
| <b>A REGULATED DISTRIBUTION SERVICES ASSETS</b>   |              |              |              |              |              |
| <b>A1 Regulated Distribution Services Assets – Network assets</b>                           |              |              |              |              |              |
| Land and Land Rights  |              |              |              |              |              |
| Structures and Improvements   | 639,540.26   | 70,180.59    | 362,687.08   | 362,653.61   | 362,596.43   |
| Station Equipment   |              |              |              |              |              |
| Power transformers  | 8,280,471.87 | 783,159.20   | 1,983,624.11 | 1,985,395.51 | 1,982,612.54 |
| Switchgear  | 3,329,884.50 | 582,922.69   | 1,184,251.74 | 1,324,748.63 | 1,459,569.50 |
| Protective equipment  | 1,984,914.92 | 223,768.48   | 484,155.56   | 484,572.02   | 483,917.73   |
| Metering & control equipment  | 1,671,149.09 | 185,400.06   | 185,417.19   | 185,836.54   | 185,177.71   |
| Communications equipment  |              |              |              |              |              |
| Other station equipment   | 2,185,566.00 | 231,277.10   | 1,251,838.87 | 1,252,361.98 | 1,251,540.14 |
| Poles, Towers and Fixtures  | 26103,965.61 | 4,394,827.99 | 4,510,611.63 | 4,569,603.97 | 4,537,797.10 |
| Overhead Conductors and Devices   | 16018,572.68 | 3,829,780.20 | 4,451,639.08 | 4,885,283.37 | 5,319,584.47 |
| Underground Conduits  |              | 52,673.83    | 52,673.83    | 52,673.83    | 52,673.83    |
| Underground Conductors and Devices  |              | 1,251,449.71 | 1,251,449.71 | 1,251,449.71 | 1,251,449.71 |
| Line (distribution) Transformers  | 25775,681.05 | 5,491,669.82 | 6,502,520.22 | 7,486,026.92 | 8,122,805.54 |
| Power Conditioning Equipment  | 157,550.79   | 63,317.52    | 63,322.29    | 75,164.70    | 86,707.08    |
| Services  |              |              |              |              |              |
| Meters, Instruments & Metering Transformers   | 17193,871.06 | 3,459,501.68 | 4,151,522.20 | 4,818,831.37 | 5,446,051.75 |
| Information Technology Equipment  | 240,000.00   | 240,000.00   | 240,000.00   | 240,000.00   | 240,000.00   |
| Regulated Entity Property on Consumer's Premises  |              |              |              |              |              |
| Street Lights and Signal Systems  |              |              |              |              |              |
| Submarine Cables  |              |              |              |              |              |
| <b>A2 Regulated Distribution Services Assets – Non-network fixed assets</b>                 |              |              |              |              |              |
| Land and Land Rights  | 1,117,172.46 | 1,108,782.75 | 1,108,813.12 | 1,108,656.40 | 1,108,388.57 |
| Structures and Improvements   | 412,967.38   | 98,153.43    | 102,095.46   | 106,350.71   | 110,256.83   |
| Office Furniture and Equipment  | 7,113,319.52 | 2,342,740.28 | 2,304,439.70 | 2,283,363.55 | 2,348,646.09 |
| Transportation Equipment  |              |              |              |              |              |
| Stores Equipment  | 1,023,126.70 | 214,054.45   | 221,421.37   | 240,759.87   | 259,796.83   |
| Tools, Shop and Garage Equipment  |              |              |              |              |              |
| Laboratory Equipment  | 1,245,835.06 | 302,130.32   | 302,142.53   | 302,441.39   | 301,971.86   |
| Information Systems Equipment   | 502,281.76   | 122,444.94   | 122,456.26   | 122,397.87   | 307,645.97   |
| Power-operated Equipment  |              |              |              |              |              |
| Communication Plant and Equipment   | 515,063.64   | 138,688.45   | 132,719.88   | 140,803.23   | 140,686.94   |
| Miscellaneous Equipment   | 33,233.76    | 5,465.36     | 6,465.63     | 6,603.72     | 6,368.10     |
| <b>A3 Regulated Distribution Services Assets – Materials and supplies, including spares</b> |              |              |              |              |              |
| <b>A4 Regulated Distribution Services Assets – Transferred</b>                              |              |              |              |              |              |

| ITEM   | NOMINAL PESO |      |      |      |      |
|--|--------------|------|------|------|------|
|  | 2009         | 2010 | 2011 | 2012 | 2013 |
| <b>Depreciation Category</b>   |              |      |      |      |      |
| <b>Subtransmission Assets</b>  |              |      |      |      |      |
| <b>Subtotal A</b>  |              |      |      |      |      |
| <b>B DISTRIBUTION CONNECTION SERVICES ASSETS</b>   |              |      |      |      |      |
| <b>B1 Distribution Connection Services Assets – Network assets</b>                           |              |      |      |      |      |
| Poles, Towers and Fixtures   |              |      |      |      |      |
| Overhead Conductors and Devices  |              |      |      |      |      |
| Underground Conduits   |              |      |      |      |      |
| Underground Conductors and Devices   |              |      |      |      |      |
| Line (distribution) Transformers   |              |      |      |      |      |
| Information Systems Equipment  |              |      |      |      |      |
| <b>B2 Distribution Connection Services Assets – Non-network fixed assets</b>                 |              |      |      |      |      |
| Land and Land Rights   |              |      |      |      |      |
| Structures and Improvements  |              |      |      |      |      |
| Office Furniture and Equipment   |              |      |      |      |      |
| Transportation Equipment   |              |      |      |      |      |
| Stores Equipment   |              |      |      |      |      |
| Tools, Shop and Garage Equipment   |              |      |      |      |      |
| Laboratory Equipment   |              |      |      |      |      |
| Information Systems Equipment  |              |      |      |      |      |
| Power-operated Equipment   |              |      |      |      |      |
| Communication Plant and Equipment  |              |      |      |      |      |
| Miscellaneous Equipment  |              |      |      |      |      |
| <b>B3 Distribution Connection Services Assets – Materials and supplies, including spares</b> |              |      |      |      |      |
| <b>Subtotal B</b>  |              |      |      |      |      |
| <b>C DISTRIBUTION CONNECTION SERVICES ASSETS</b>   |              |      |      |      |      |
| <b>C Distribution Connection Services Assets</b>   |              |      |      |      |      |
| Meters, Instruments & Metering Transformers  |              |      |      |      |      |
| Land and Land Rights   |              |      |      |      |      |
| Structures and Improvements  |              |      |      |      |      |
| Office Furniture and Equipment   |              |      |      |      |      |
| Transportation Equipment   |              |      |      |      |      |
| Stores Equipment   |              |      |      |      |      |
| Tools, Shop and Garage Equipment   |              |      |      |      |      |
| Laboratory Equipment   |              |      |      |      |      |
| Information Systems Equipment  |              |      |      |      |      |

| ITEM                               | NOMINAL PESO   |               |               |               |               |
|------------------------------------|----------------|---------------|---------------|---------------|---------------|
|                                    | 2009           | 2010          | 2011          | 2012          | 2013          |
| Depreciation Category              |                |               |               |               |               |
| Communication Plant and Equipment  |                |               |               |               |               |
| Miscellaneous Equipment            |                |               |               |               |               |
| <b>Subtotal C</b>                  |                |               |               |               |               |
| <b>Forecast disposal of assets</b> |                |               |               |               |               |
| <b>TOTAL</b>                       | 115,544,168.11 | 25,192,388.85 | 30,976,267.46 | 33,285,978.90 | 35,366,244.72 |

13a. The afore-mentioned depreciation is calculated on a straight-line basis, based on the standard asset lives approved by the Commission where these are available.

14. The proposed Corporate Income Tax included in the afore-mentioned calculation of the Annual Revenue Requirement is based on a Philippines corporate tax rate of (30%) and is calculated as demonstrated below:

**Table 8. Summary of proposed Corporate Income Tax (per Regulatory Year)**

|                                    | 2010 | 2011         | 2012          | 2013          |
|------------------------------------|------|--------------|---------------|---------------|
| <b>Corporate Tax (nominal PhP)</b> | -    | 4,620,603.15 | 33,235,868.93 | 50,395,976.99 |

15. The calculation of the afore-going proposed Corporate Income Tax is based on the forecast sales of energy as demonstrated below:

**Table 9. Summary of forecast energy consumption (per Regulatory Year)**

|                                 | 2009        | 2010        | 2011        | 2012        | 2013        |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Energy consumption (MWh)</b> | 245,584,471 | 257,372,525 | 271,013,269 | 287,247,065 | 303,074,139 |

16. The estimates of the afore-mentioned energy sales are based on the following forecast co-incident, annual, sustained peak demand on the whole distribution network:

**Table 10. Summary of forecast peak demand (per Regulatory Year)**

|                    | 2009      | 2010      | 2011      | 2012      | 2013      |
|--------------------|-----------|-----------|-----------|-----------|-----------|
| <b>Demand (MW)</b> | 47,903.05 | 51,688.20 | 55,499.84 | 59,872.82 | 62,742.55 |

17. The calculation of the afore-mentioned Corporate Income Tax is based on an estimated price-path for the Second Regulatory Period that was determined using the afore-mentioned proposed Allowed Annual Revenue and an assumed zero X-factor and P<sub>0</sub>-factor. The estimated Maximum Annual Prices thus calculated for the Second Regulatory Period is as demonstrated below:

**Table 11. Assumed Maximum Annual Prices for the Second Regulatory Period**

|                                       | 2010<br>Regulatory<br>year | 2011<br>Regulatory<br>year | 2012<br>Regulatory<br>year | 2013<br>Regulatory<br>year |
|---------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Maximum Annual Price (PhP/kWh)</b> | 0.8034                     | 0.9586                     | 1.1429                     | 1.3626                     |

16a. The applicant recognizes that the Commission will determine the actual X-factor and P<sub>0</sub>-factor after its consideration of this application for Allowed Annual Revenue and will determine the actual price-path for the Second Regulatory Period after incorporating such amendments to these proposals as the Commission deems necessary. As part of its consideration the Commission may also amend one or more of the parameters on which the calculations of the Allowed Annual Revenue are based. The actual approved price path is therefore likely to differ from that estimated above.

18. Since the Maximum Average Prices calculated under Performance-Based Regulation are not directly comparable with unbundled rates, for illustrative purposes the applicant has prepared a comparison of its current rates for providing distribution wheeling services with those that would result from the implementation of the afore-mentioned estimated Maximum Annual Prices. This is presented below:

**Table 12. Comparison of estimated rates with current rates (illustrative only)**

|   | <b>Current Rates</b> | <b>Illustrative Rates (2010)</b> | <b>Illustrative Rates (20011)</b> | <b>Illustrative Rates (2012)</b> | <b>Illustrative Rates (2013)</b> |
|---|----------------------|----------------------------------|-----------------------------------|----------------------------------|----------------------------------|
| <b>Customer Class</b>                             |                      |                                  |                                   |                                  |                                  |
| <b>Residential</b>                                |                      |                                  |                                   |                                  |                                  |
| Distribution (PhP/kWh)                            | 0.7169               | 1.0673                           | 1.3587                            | 1.7045                           | 2.1169                           |
| Supply (PhP/kWh)                                  | 0.1046               | .1046                            | .1046                             | .1046                            | .1046                            |
| Metering (PhP/kWh)                                | 0.3383               | .3383                            | .3383                             | .3383                            | .3383                            |
| Metering (PhP/customer/month)                     | 5.00                 | 5.00                             | 5.00                              | 5.00                             | 5.00                             |
| Inter-class cross-subsidy (PhP/kWh)               | -0.1843              | -0.1843                          | -0.1843                           | -0.1843                          | -0.1843                          |
| Total PhP/kWh                                     | 1.1598               | 1.5102                           | 1.8016                            | 2.1474                           | 2.5598                           |
| Total PhP/customer/month                          | 5.00                 | 5.00                             | 5.00                              | 5.00                             | 5.00                             |
| <b>Average PhP/kWh distribution wheeling rate</b> | 1.1601               | 1.5156                           | 1.8084                            | 2.1560                           | 2.5704                           |
| <b>Commercial</b>                                 |                      |                                  |                                   |                                  |                                  |
| Distribution (PhP/kWh)                            | 0.5316               | .6943                            | 0.8285                            | 0.9877                           | 1.1776                           |
| Supply (PhP/customer/month)                       | 150.03               | 150.03                           | 150.03                            | 150.03                           | 150.03                           |
| Metering (PhP/customer/month)                     | 40.90                | 40.90                            | 40.90                             | 40.90                            | 40.90                            |
| Inter-class cross-subsidy (PhP/kWh)               | -0.0349              | -0.0349                          | -0.0349                           | -0.0349                          | -0.0349                          |
| Total PhP/kWh                                     | 0.5316               | 0.6943                           | 0.8285                            | .9877                            | 1.1776                           |
| Total PhP/customer/month                          | 190.93               | 190.93                           | 190.93                            | 190.93                           | 190.93                           |
| <b>Average PhP/kWh distribution wheeling rate</b> | 0.5321               | 0.6947                           | 0.8289                            | 0.9882                           | 1.1782                           |
| <b>Industrial</b>                                 |                      |                                  |                                   |                                  |                                  |
| Distribution (PhP/kWh)                            | 0.1828               | 0.2389                           | 0.2850                            | 0.3398                           | 0.4051                           |
| Distribution demand charge (PhP/kW)               | 71.14                | 71.14                            | 71.14                             | 71.14                            | 71.14                            |
| Supply (PhP/customer/month)                       | 150.03               | 150.03                           | 150.03                            | 150.03                           | 150.03                           |
| Metering (PhP/customer/month)                     | 42.47                | 42.47                            | 42.47                             | 42.47                            | 42.47                            |
| Inter-class cross-subsidy (PhP/kWh)               | 0.0933               | 0.0933                           | 0.0933                            | 0.0933                           | 0.0933                           |
| Total PhP/kWh                                     | 0.18                 | 0.2388                           | 0.2849                            | 0.3396                           | 0.4049                           |
| Total PhP/kW                                      | 113.61               | 113.61                           | 113.61                            | 113.61                           | 113.61                           |
| Total PhP/customer/month                          | 0.18                 | 0.2389                           | 0.2850                            | 0.3398                           | 0.4051                           |
| <b>Average PhP/kWh distribution wheeling rate</b> | 0.1846               | 0.2389                           | 0.2850                            | 0.3398                           | 0.4051                           |
| <b>Public buildings/Government Hospitals</b>      |                      |                                  |                                   |                                  |                                  |
| Distribution (PhP/kWh)                            | 0.5216               | 0.6815                           | 0.8131                            | 0.9694                           | 1.1558                           |
| Supply (PhP/customer/month)                       |                      |                                  |                                   |                                  |                                  |
| Metering (PhP/customer/month)                     | 41.10                | 41.10                            | 41.10                             | 41.10                            | 41.10                            |
| Inter-class cross-subsidy (PhP/kWh)               | 0.0464               | 0.0464                           | 0.0464                            | 0.0464                           | 0.0464                           |

|   |         |         |         |         |         |
|---|---------|---------|---------|---------|---------|
| Total PhP/kWh                                     | 0.52    | 0.68    | 0.81    | 0.97    | 1.16    |
| Total PhP/customer/month                          | 41.10   | 41.10   | 41.10   | 41.10   | 41.10   |
| <b>Average PhP/kWh distribution wheeling rate</b> | 0.5268  | 0.6816  | 0.8133  | 0.9696  | 1.1560  |
| <b>Streetlights</b>                               |         |         |         |         |         |
| Distribution (PhP/kWh)                            | 0.6127  | 0.0800  | 0.0955  | 0.1139  | 0.1358  |
| Supply (PhP/customer/month)                       | 150.03  | 150.03  | 150.03  | 150.03  | 150.03  |
| Metering (PhP/customer/month)                     | 55.35   | 55.35   | 55.35   | 55.35   | 55.35   |
| Inter-class cross-subsidy (PhP/kWh)               | -0.2917 | -0.2917 | -0.2917 | -0.2917 | -0.2917 |
| Total PhP/kWh                                     | 0.321   | 0.0800  | 0.0955  | 0.1139  | 0.1358  |
| Total PhP/customer/month                          | 205.38  | 205.38  | 205.38  | 205.38  | 205.38  |
| <b>Average PhP/kWh distribution wheeling rate</b> |         | 0.8006  | 0.9553  | 1.1390  | 1.3579  |
| <b>Bulk</b>                                       |         |         |         |         |         |
| Distribution (PhP/kWh)                            | 0.2009  | 0.0262  | 0.0313  | 0.0373  | 0.0445  |
| Distribution demand charge (PhP/kWh)              | 70.74   | 71.14   | 71.14   | 71.14   | 71.14   |
| Supply (PhP/customer/month)                       | 150.03  | 150.03  | 150.03  | 150.03  | 150.03  |
| Metering (PhP/customer/month)                     | 118.43  | 42.47   | 42.47   | 42.47   | 42.47   |
| Inter-class cross-subsidy (PhP/kWh)               | 0.1859  | 0.1859  | 42.47   | 0.1859  | 0.1859  |
| Total PhP/kWh                                     | 0.3868  | 0.0262  | 0.1859  | 0.0373  | 0.0445  |
| Total PhP/customer/month                          | 118.43  | 263.64  | 0.0313  | 263.64  | 263.64  |
| <b>Average PhP/kWh distribution wheeling rate</b> |         | 0.2625  | 263.64  | 0.3735  | 0.4452  |
|   |         |         | 0.3132  |         |         |

{To be adapted to the applicant's rate structure}

19. The applicant proposes to adopt a Price-Linked Performance Incentive Scheme as required in terms of the RDWR. According to this Performance Incentive Scheme the applicant will be rewarded if the service performance levels of its electricity distribution business exceed the target levels proposed below, and will be penalized if the service performance level of its electricity distribution business falls below the proposed targets. This reward or penalty will be directly incorporated into the Maximum Annual Prices from the second year of the Second Regulatory Period onward. The proposed Price-linked Performance Incentive Scheme is based on the performance measures and performance targets demonstrated below. Stepped performance target levels are proposed, which will influence the size of the reward or penalty.

**Table 13. Summary of proposed Price-linked Performance Incentive Scheme**

| Performance index  | Units   | Weight | Reward  |         | Target  | Penalty |         |
|--|---------|--------|---------|---------|---------|---------|---------|
|  |         |        | Level A | Level B | Level C | Level D | Level E |
| System average interruption frequency index (SAIFI)                      | Number  | 0.20   | 29.5    | 32      | 37      | 47      |         |
| Customer average interruption duration index (CAIDI)                     | Minutes | 0.20   | 816     | 873     | 987     | 1215    |         |
| Planned system average interruption duration index (SAIDI)               | Minutes | 0.15   | 3641    | 3694    | 3800    | 4012    |         |
| Probability of voltage levels falling within prescribed limits           | %       | 0.10   | 4%      | 8%      | 16%     | 24%     |         |
| System losses  | %       | 0.05   | 7%      | 8.5%    | 9.5%    |         |         |
| Average time to process applications for Regulated Distribution Services | Days    | 0.15   | 1       | 3       | 5       | 7       |         |

|   |         |      |   |   |   |   |  |
|---|---------|------|---|---|---|---|--|
| Average time to connect premises to the Regulated Distribution System | Days    | 0.15 | 2 | 4 | 6 | 9 |  |
| Average time to answer calls at call centre                           | Seconds | 0    |   |   |   |   |  |

(note: Above proposed performance incentive scheme is for mainland)

| Performance index  | Units   | Weight | Reward  |         | Target  | Penalty |         |
|--|---------|--------|---------|---------|---------|---------|---------|
|  |         |        | Level A | Level B | Level C | Level D | Level E |
| System average interruption frequency index (SAIFI)                      | Number  | 0.20   | 14.75   | 16      | 18.5    | 23.5    |         |
| Customer average interruption duration index (CAIDI)                     | Minutes | 0.20   | 467     | 546     | 706     | 866     |         |
| Planned system average interruption duration index (SAIDI)               | Minutes | 0.15   | 1720    | 1847    | 1900    | 1953    |         |
| Probability of voltage levels falling within prescribed limits           | %       | 0.10   | 6%      | 11%     | 22%     | 33%     |         |
| System losses  | %       | 0.05   | 7%      | 8.5%    | 9.5%    |         |         |
| Average time to process applications for Regulated Distribution Services | Days    | 0.15   | 22      | 24      | 26      | 28      |         |
| Average time to connect premises to the Regulated Distribution System    | Days    | 0.15   | 14      | 16      | 19      | 22      |         |
| Average time to answer calls at call centre                              | Seconds | 0      |         |         |         |         |         |

(note: Above proposed performance incentive scheme is for olango)

20. The applicant proposes to adopt a Guaranteed Service Level Performance Incentive Scheme as required in terms of the RDWR. According to this Guaranteed Service Level scheme, customers will be directly compensated, in the form of reductions in their monthly electricity bills, if service performance falls below certain minimum thresholds. The thresholds and the penalties that will apply are as demonstrated below:

**Table 14. Summary of proposed Guaranteed Service Level Incentive Scheme**

| Performance Measure   | Threshold                                      | Penalty level (PhP)                             |
|---|--|---|
| Customer experiencing a total duration of sustained service interruptions in a Regulatory Year that exceeds the threshold     | Maximum duration of 90 hrs per regulatory year | Php 1.98 per breach of the proposed threshold   |
| Customer experiencing a number of sustained service interruptions in a Regulatory Year that exceeds the threshold             | Maximum duration of 80 hrs per regulatory year | Php 2.90 per breach of the proposed threshold   |
| Restoration of supply to a customer after a fault on the secondary distribution network taking longer than the threshold time | Within 12 hours                                | Php 2.90 per breach of the proposed threshold   |
| Customer connection not provided on the day agreed with the customer (for mainland)   | 15 days  | Php 156.68 per breach of the proposed threshold |
| Customer connection not provided on the day agreed with the customer (for olango)   | 30 days  | Php 156.68 per breach of the proposed threshold |

20a. The applicant will be entitled to an additional revenue amount equal to 0.5% of its Annual Revenue Requirement, which is intended to be applied to the Guaranteed Service Level

Scheme and can be used to either provide for penalties under the scheme, or for network or operational improvements to avoid such penalties.

21. Applicant will comply with the requirements in Section 4(e), Rule 3 of the Rules and Regulations of Republic Act No. 9136, in relation to Rule 6 of the Commission Rules of Practice and Procedure, prior to the filing of this application with the Commission.
22. In support of this application for the approval of its Allowed Annual Revenue and Performance Incentive Scheme, the applicant has attached the following required documents as described in the RDWR and the Position Paper:
23. Applicant most respectfully requests for approval of this application to allow it to fulfill its obligations under Performance Based-Regulation and in order to 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.

## **PRAYER**

**WHEREFORE**, premises considered, MACTAN ELECTRIC COMPANY, INC. prays, after due notice and hearing and consideration, that the application be approved and that a final authority be issued to applicant authorizing it to adopt the above Annual Revenue Requirements and Performance Incentive Scheme.

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

Pasig City, Philippines, May 23, 2008.

**QUIASON MAKALINTAL BAROT  
TORRES IBARRA & SISON**

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By:

**MANUEL L.M. TORRES**

ROLL OF ATTORNEYS NO. 25410  
MCLE COMPLIANCE NO. II-0002906  
PTR NO. 4309955; 1/4/08  
PASIG CITY  
IBP NO. 729302; 12/18/07  
QUEZON CITY

**MIGUEL K. MATHAY**

ROLL OF ATTORNEYS NO. 43982  
MCLE COMPLIANCE NO. II-0000125  
PTR NO. 4309977; 1/4/08  
PASIG CITY  
IBP NO. 729316; 12/18/07  
RSM