

**ORIGINAL**

REPUBLIC OF THE PHILIPPINES  
**ENERGY REGULATORY COMMISSION**  
SAN MIGUEL AVENUE, PASIG CITY

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE MAXIMUM AVERAGE PRICE (MAP RY 2012) AND ITS TRANSLATION INTO DISTRIBUTION RATES OF DIFFERENT CUSTOMER CLASSES FOR THE THIRD REGULATORY YEAR OF THE ERC-APPROVED ANNUAL REVENUE REQUIREMENT FOR ILIGAN LIGHT AND POWER, INC, (ILPI) UNDER THE PERFORMANCE BASED REGULATION (PBR) FOR THE REGULATORY PERIOD 2010-2013.

ERC CASE NO. \_\_\_\_\_

ILIGAN LIGHT AND POWER, INC.  
(ILPI),

Applicant.

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**APPLICATION**

Applicant ILIGAN LIGHT AND POWER, INC. ("ILPI"), through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

That –

1. ILPI is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bro. Raymund Jeffrey Road, Palao, Iligan City where it may be served with summons and other legal processes,

represented in this instance by its President, Ralph B. Casiño, of legal age, Filipino, married and with office address also at Bro. Raymund Jeffrey Road, Pala-o, Iligan City. ILPI is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power services in the City of Iligan in the Province of Lanao del Norte.

2. On May 27, 2008, Applicant filed an application (docketed as ERC Case No. 2008-027RC) for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) covering the Second Regulatory Period from April 1, 2009 to March 30, 2013 in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (RDWR).

3. The Honorable Commission resolved ERC Case No. 2008-027 in its decision dated December 15, 2008.

4. The Applicant filed a Motion for Partial Reconsideration on January 23, 2009 in ERC Case No. 2008-027RC asking the Honorable Commission to reconsider its Decision dated December 15, 2008 and amend the Energy Forecasts for the Second Regulatory Period found in the Final Determination dated December 15, 2008.

5. The Honorable Commission resolved the Motion for Partial Reconsideration in ERC Case No. 2008-027RC in its Order dated February 2, 2009.

6. On February 9, 2009, Applicant filed an application (docketed as ERC Case No. 2009-009RC) for approval of the translation of its MAP for 2010 (the first

regulatory year of the regulatory period 2009-2013) into distribution rates of its different customer classes under the Performance Based Regulation.

The Honorable Commission resolved Applicant's application in ERC Case No. 2009-009RC in its Decision dated March 30, 2009.

7. On December 18, 2009, Applicant filed an application (docketed as ERC Case No. 2009-179RC) for approval of the translation of its MAP for 2011 (the second regulatory year of the regulatory period 2009-2013) into distribution rates of its different customer classes under the Performance Based Regulation.

The Honorable Commission resolved Applicant's application in ERC Case No. 2009-179RC in its Decision dated March 10, 2010.

8. The Applicant, guided by the RDWR, as amended, has calculated the Maximum Average Price (MAP) for the Third Regulatory Year (RY 2012) of the Second Regulatory Period to be 1.3696 with an X-factor of -0.1619. The resulting MAP for RY 2012 is shown without the application of side constraints.

Below is the Applicant's calculation of MAP for RY 2012:

$$\text{MAP}_{2012} = [ \text{MAP}_{2011} \times \{ 1 + \text{CWI}_{2012} - X \} ] + S_{2012} - K_{2012} + \text{ITA}_{2012}$$

$$\text{MAP}_{2012} = [ 1.1256 \times \{ 1 + 3.9605\% - (-0.1619) \} ] + 0.0000 - (-0.0173) + 0$$

$$\text{MAP}_{2012} = 1.3696 \text{ (PhP/kWh)}$$

9. Based on the Final Determination of December 15, 2008, the ERC Order dated February 5, 2009 per ERC Case No. 2008-027RC, the Cost of Service Study as approved by the Commission per ERC Case No. 2009-009RC, and the

provisions set forth in the Distribution Services and Open Access Rules (DSOAR) specifically the conversion of the Maximum Average Price into different rate elements per customer class, the Applicant has converted the computed  $MAP_{2012}$  (without the application of the side constraints) into a distribution rates structure as follows:

### ILPI PROPOSED DISTRIBUTION RATES

Customer Class	DISTRIBUTION		SUPPLY		METERING		
	PhP/ kW	PhP/ kWh	PhP/ Cust./ Month	PhP/ kWh	PhP/Customer/ Month		PhP/ kWh
					Non-CT Rated/ Sec. Metered	CT- Rated/ Prim. Metered	
Flat Rate	-	1.2955	16.09	-	-	-	-
Residential	-	1.1187	-	0.2782	5.00	-	0.4220
Commercial	-	1.1951	52.46	-	97.04	728.37	-
General Power	136.83	0.4495	33.87	-	1,572.73	3,959.66	-
Bulk Power	54.38	0.1068	92.63	-	-	12,771.86	-

The conversion was effected in accordance with the Uniform Filing Requirements (UFR), the relevant sections of the RDWR, as amended, and the methodology described in Article V of the Distribution Services and Open Access Rules (DSOAR). The Applicant used in its calculations the information contained in the Final Determination of December 15, 2008 and the Order dated February 2, 2009.

10. The Side Constraint Calculation for the Second Regulatory Period which was approved by the Honorable Commission is  $CWI_t + SC_t$ . The value of SC is 18.50% while  $CWI_{2012}$  has been calculated to be 3.9605%, thus,  $SC_{2012}$  is 22.46%.

The Applicant has determined that the resulting  $MAP_{2012}$  and the converted distribution rates from said  $MAP_{2012}$  would result in the breach of the rates for its Flat

Rate and Residential customers. Below is the computation of Side Constraints per Customer Class pursuant to Section 6.4 of the RDWR, as amended:

$$\begin{aligned}
 & \left( \frac{FCR_{k,t}}{FQ_{k,t}} - S_t \right) - \left( \frac{CR_{k,t-1}}{\Lambda Q_{k,t-1}} - S_{t-1} \right) \leq (CWI_t + SC_t) \\
 & \frac{FCR_{k,t}}{FQ_{k,t}} - S_t \leq (3.9605\% + 18.50\%) \\
 & \leq \mathbf{22.46\%}
 \end{aligned}$$

CUSTOMER CLASS	$(FCR_{k,t} / FQ_{k,t}) - S_t$	$(CR_{k,t-1} / \Lambda Q_{k,t-1}) - S_{t-1}$	% Increase	STATUS
Flat Rate	1.2974	1.0563	22.83%	Side Constraints Breached
Residential	1.8519	1.5080	22.80%	Side Constraints Breached
Commercial	1.4344	1.1919	20.35%	Within Side Constraints
General Power	1.3402	1.1194	19.73%	Within Side Constraints
Bulk Power	0.2661	0.2364	12.55%	Within Side Constraints

Given that the breach in the aforementioned rates is small, the Applicant requests the Honorable Commission that it be allowed to relax the side constraints for RY2012, specifically for the rates of its Flat Rate and Residential customers, in order to avoid the build up of its under recoveries during the Second Regulatory Period.

11. In support of this Application, ILPI has attached the following supporting documents:

Schedule	Information Provided
A	Computation of the Maximum Average Price (MAP) for the Regulatory Year Ending March 31, 2012
A.1	Computation of the Change in Weighted Index (CWI)
A.2	Computation of the Actual Weighted Average Tariff (AWAT)
A.3	Details of Income from Related Business (RBR)
A.4	Computation of the Differential Amount (DA)

A.5	Computation of the Correction Factor (K)
A.6	Computation of the S-Factor (S)
B	Translation of Revenue at MAP into Distribution Wheeling Rates for the Different Customer Classes
B.1	Computation of the Proportionate Share of Each Customer Class of the Total Revenue Requirement
B.2	Computation of the Average Historical Rate for Each Customer Class
B.3	Historical Revenue Earned from Each Customer Class
B.4	Billing Determinants
B.5	Approved Summary of Cost of Service Result and Allocation Factors Used
C	Comparison of Proposed and Existing Distribution Wheeling Rates Per Customer Class
D	Computation of Side Constraints on the Proposed Distribution Wheeling Rates

12. The approval of this Application will allow the Applicant to fulfill its obligations under Performance Based-Regulation, to implement in a timely manner its capital expenditure program and its operating and maintenance programs for the Second Regulatory Period, specifically for the RY 2012, and avoid irreparable losses, which will ultimately result in the deterioration of its services, to the damage, and prejudice of the public, in general, and its consumers, in particular.

## PRAYER

**WHEREFORE**, premises considered, ILPI most respectfully prays of this Honorable Commission, after due notice and hearing, that this Application be approved and that ILPI be authorized to adopt and implement the proposed distribution rate structure, as follows:

### **ILPI PROPOSED DISTRIBUTION RATES**

Customer Class	DISTRIBUTION		SUPPLY		METERING		
	PhP/ kW	PhP/ kWh	PhP/ Cust./ Month	PhP/ kWh	PhP/Customer/ Month		PhP/ kWh
					Non-CT Rated/ Sec. Metered	CT- Rated/ Prim. Metered	
Flat Rate	-	1.2955	16.09	-	-	-	-
Residential	-	1.1187	-	0.2782	5.00	-	0.4220
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General Power	136.83	0.4495	33.87	-	1,572.73	3,959.66	-
Bulk Power	54.38	0.1068	92.63	-	-	12,771.86	-

Other reliefs equitable under the premises are likewise prayed for.

RESPECTFULLY SUBMITTED.

Pasig City, December 15, 2010.

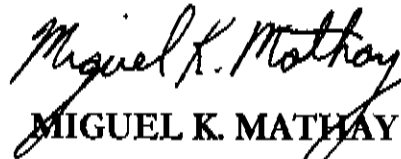
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By:



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RSM

## VERIFICATION / CERTIFICATION

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I, **RALPH B. CASIÑO**, of legal age, Filipino and with office address at Bro. Jeffrey Road, Pala-o, Iligan City, after having been duly sworn in accordance with law, hereby deposes and states: That –

1. He is the President of Iligan Light and Power, Inc. (ILPI), who had caused the preparation of the foregoing Application.

2. The allegations set forth therein are true and correct based on his own personal knowledge and/or on the authentic records of ILPI.

3. ILPI has not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency; to the best of their knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals, or different Divisions thereof, or any other tribunal or agency, which involve issues that may somehow be related to those in this Application; and that, if they should learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or different Divisions thereof, or any other tribunal or agency, they undertake to promptly inform this Honorable Court within five (5) days therefrom.

**RALPH B. CASIÑO**

Affiant

SUBSCRIBED AND SWORN to before me this \_\_\_<sup>th</sup> day of December at \_\_\_\_\_, affiant who is personally known to me, exhibiting to me his Community Tax Certificate No. 07166821 issued at Iligan City, on the 8<sup>th</sup> of January 2010 and his Driver's License with License Number N03-70-011-19-9 as competent evidence of identity.

Doc. No. \_\_\_\_\_;  
Page No. \_\_\_\_\_;  
Book No. \_\_\_\_\_;  
Series of 2010.