



1 agreements between CEPALCO and (a) power suppliers (b) fuel  
2 supplier for power plants and (c) bulk power customers of CEPALCO.  
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4 4. How long have you been working in rate matters?

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6 I have been working on rate matters for the past 10 years.  
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8 5. Have you attended trainings, seminars and other conferences related to rate  
9 regulations?  
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12 Yes. The major trainings, seminars and conferences that I have participated in  
13 and that relate to my function are enumerated below:  
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16 a. TARIFF DESIGN SEMINAR, December 16 – 17, 1997 at Shangri-La EDSA  
17 Plaza Hotel conducted by Resource Management International

18 b. TARIFF STRUCTURE AND RATE MAKING, May 19 – 23, 1997 at NPC  
19 building, Diliman, Quezon City, conducted by CH Guernsey and Company

20 c. ONLINE SEMINAR ON FUNDAMENTALS OF TARIFF PLANNING  
21 AND STRUCTURING , June 1- July 13, 2005 conducted by the Institute  
22 for Public-Private Partnership

23 d. SEMINAR-WORKSHOP ON COST OF SERVICE STUDY, August 27-  
24 28, 1998 at VECO-TSD Complex, Banilad, Cebu City, conducted by PEPOA

25 e. SEMINAR ON PERFORMANCE-BASED RATEMAKING, March 8-9,  
26 2005, Linden Suites, Ortigas Center, Pasig City, Philippines  
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29 6. Aside from your position as the Staff Supervisor, what other functions do you  
30 hold?  
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33 I am also a member of the CEPALCO's Rate Committee (RateCom) and  
34 Energy Contracts Group.  
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7. What are your participation in these committees ?)

As a member of the RateCom, I participate in making analyses or studies on issues affecting rates and conduct calculations on its impact to CEPALCO. I also participate in the formulation of recommendations to the Top Management on rates-related issues.

As a member of the Energy Contracts Group, I provide rates-related inputs in various studies such as power supply contracting, capacity additions, evaluation of supply options, least-cost planning and demand projections.

8. By the way, what is your profession ?

I am a Registered Electrical Engineer by profession.

9. What is your involvement in the application?

I supervise the consolidation of the various inputs to the Application and the packaging of the Application for submission to the ERC.

I also formulate the procedure to convert the MAP into average rates per customer class and come-up with the proposed rate design by customer class.

10. Why is CEPALCO seeking approval on the Procedure to Convert the Maximum Average Price Into Rates ?

The procedure is necessary to enable CEPALCO to charge its customers at rates that will be within the Maximum Average Price set by the ERC.

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Although, there will be a separate filing for the rate design, CEPALCO proposed to include it in this Application, so that if approved, CEPALCO will have its general direction in so far as rate design for the 2<sup>nd</sup> Regulatory Period is concerned.

11. What is the company's proposal for this?

CEPALCO proposed to adopt the following procedure to convert the ERC-approved MAP into rates for individual customer classes:

- a. Derive the Functionalization and Allocation Factors using the Uniform Filing Requirement (UFR) Model issued by the Commission on October 31, 2001.
- b. Compute the total Revenue Requirement using the ERC-approved Maximum Average Price (MAP) and the Forecasted Energy Consumption.
- c. Functionalize the resulting MAP-based revenue requirement into Distribution, Supply and Metering Functions using the derived Functionalization Factors.
- d. Allocate the functionalized MAP-based revenue requirement to different customer classes using the derived Allocation Factors.
- e. Convert allocated revenue requirement into rates using the forecasted billing determinants of each customer class.

1 CEPALCO also intends to use the following rate design, subject to modifications  
2 after running the UFR Model:

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4 **Distribution Charge:**

- 5 • Peso/kWh for Rate Schedule 16-46 (Streetlights to Commercial)
- 6 • Combination of Peso/kWh and Peso/kW for Rate Schedule 56  
7 (Industrial)
- 8 • Peso/kW Charge for Rate Schedule 66 to 96 (Big Industrial to  
9 Bulk Power)

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11 **Supply Charge**

- 12 • Peso/kWh for Rate Schedule 16-46
- 13 • Combination of Peso/kWh and Peso/Customer/Month Charges for  
14 Rate Schedule 56-96

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16 **Metering Charge**

- 17 • Combination of Peso/kWh and Peso/Customer/Month Charges for  
18 Rate Schedule 26
- 19 • Peso/Customer/Month Charge for Rate Schedule 36-96

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21 12. What is the basis in the formulation of these procedures ?

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23 These procedures were generally based on the procedure set forth in Article V  
24 of the Distribution Service and Open Access Rules (DSOAR). Clause 6.1.2 of  
25 the RDWR provides that in setting or changing the rates, the procedures set  
26 forth in the DSOAR should be followed.

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1 13. In the caption of your application, it is stated that the Procedures to Convert the  
2 Maximum Average Price Into Rates are in accordance with the provisions of the  
3 RDWR, how is this so ?

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5 The proposed procedure to convert the MAP into rates is in accordance to  
6 Clause 6.1.2 of the RDWR which provides, among others, that “*xxx distribution*  
7 *wheeling rates xxx must only be set and changed in accordance with this Article*  
8 *VI and the DSOAR xxx*”

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10 DSOAR is the Distribution Service and Open Access Rules promulgated by the  
11 ERC on January 18, 2006. Article V, Section 5.2 of the DSOAR provides that:  
12 “*The Commission hereby incorporates the UFR as part of the DSOAR. All DUs*  
13 *shall adhere to the principles and methods set forth in the UFR, as may be*  
14 *revised by the Commission xxx*”

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16 Further, Section 5.3.4 of the DSOAR states that: “*As part of the Regulatory*  
17 *Reset Process, the applicant shall include a cost of service study in which the*  
18 *total amount to be collected (revenue requirement) is functionalized and*  
19 *allocated to customer segments (this is the UFR methodology) xxx*”

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21 UFR is the “Uniform Filing Requirement” issued by the Commission on  
22 October 31, 2001.

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24 14. If the proposed procedures will be implemented, do you have figures to show  
25 how much would be the rates for each customer class ?

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27 No. We have not yet run the figures into the UFR Template.  
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1 15. What can you say to the resulting rates if the proposed procedures will be  
2 implemented ?

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4 Since we will be basing the procedure on the UFR, I can say that the resulting  
5 rates would be fair and reasonable to customers and will provide the company  
6 with reasonable revenue for it to continue to operate and provide its customers  
7 with efficient and reliable electric service and fulfill its regulatory and statutory  
8 obligations.

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10 IN WITNESS WHEREOF, I have hereunto affixed my signature this 23rd day of  
11 September 2006, in Cagayan de Oro City.

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**RICHARD S. RATUNIL**

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Affiant

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16 SUBSCRIBED AND SWORN TO before me this 23rd day of September 2006, in  
17 Cagayan de Oro City, affiant exhibited to me his Community Tax Certificate No.  
18 14460885 issued on January 16, 2006 at Cagayan de Oro City.

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**Isidro O. Baculio Jr.**  
Notary Public  
PTR No. 8691822 12/16/05  
At Cagayan de Oro City  
IBP No. 828925 12/13/05  
Misamis Oriental Chapter  
TIN: 136-332-993  
Roll No. 38265

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25 Doc. No. 184;

26 Page No. 37;

27 Book No. XXI;

28 Series of 2006.