

3. Under ERC Resolution No. 54, Series of 2006 or the **“Rules for Setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities Entering Performance Based Regulation”**, the Performance Based Regulation (PBR)-entrant distribution utility will be given an Annual Revenue Requirement (ARR) which will be used to derive the Maximum Average Price (MAP). Said MAP shall then be allocated by the distribution utility in setting the rate schedule for its distribution, supply and metering charges for each customer class or segment.

4. LUECO was among the entrants at the third entry point to the PBR Rate Setting Methodology adopted by this Honorable Commission pursuant to Section 43(f) of Republic Act No. 9136, otherwise known as the **“Electric Power Industry Reform Act of 2001”**. As such, on 19 June 2009, LUECO filed an application for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) for the Second Regulatory Period covering the period 01 July 2010 to 30 June 2014. The aforementioned Application was docketed as ERC Case No. 2009-044RC.

5. Thereafter, this Honorable Commission, in the aforesaid case, issued the Final Determination for LUECO contained in its Decision dated 08 March 2010.

- a. Based on the Final Determination, LUECO’s ARR for the Second Regulatory Period as approved by this Honorable Commission is as follows:

| BUILDING BLOCK | 2011 (PhP Million, Nominal) |
|-------------------------|--|
| Return on Capital | 63.5 |
| OPEX | 90.8 |
| Regulatory Depreciation | 21.2 |
| Corporate Income Tax | 0.0 |
| Other Taxes | 1.9 |
| TOTAL | 177.4 |

- b. The opening MAP that will apply to LUECO at the start of the Second Regulatory Period as approved by this Honorable Commission in the Final Determination is PhP1.2326 (PhP/kWh).
- c. Section 1.4.1 of the Final Determination dated 08 March 2010 First Regulatory Year requires that the MAP set in the terms of the said Final Determination should be converted into a distribution rate structure to be filed with this Honorable Commission for approval.

6. In compliance with the requirements under the RDWR and the Final Determination for the conversion of the approved MAP into a distribution rate structure, LUECO herein applies for the approval of the translation into distribution rates of different customer classes of its approved MAP for the First Regulatory Year (01 July 2010 to 30 June 2014) of the Second Regulatory Period.

7. The translation into distribution-related rates is consistent with the methodology used in the Uniform Filing Requirement (UFR) in the Rate Unbundling, using updated scenarios and values. The proposed translation of rates calculation is attached hereto as ANNEXES "A" to "T".

8. The smoothed MAP2011 of PhP1.2326/kWh was broken down into the average unbundled components of Distribution Charge, Supply Charge and Metering Charge, with the following resulting figures:

| | |
|---------------------|----------------|
| Distribution Charge | PhP 0.9440/kWh |
| Supply Charge | PhP 0.1128/kWh |
| Metering Charge | PhP0.1758/kWh |
| TOTAL | PhP1.2326/kWh |

9. The definitions of the Rate Schedules for each of LUECO's customer segments are hereto attached and marked as ANNEXES "J1" to "J12".

| RATE SCHEDULE | ANNEX |
|----------------------|--------------|
| Residential | J1 - J2 |
| Commercial 1 | J3 - J4 |
| Commercial 2 | J5 - J6 |
| Hospital | J7 - J8 |
| General Power | J9 - J10 |
| Street Lights | J11 - J12 |

10. Summarized below is LUECO's proposed distribution-related rate structure:

| | Distribution | | Supply | | Metering | |
|---------------|---------------------|----------|---------------|---------------|-----------------|---------------|
| | PhP/kWh | PhP/kW | PhP/kWh | PhP/Cust./Mo. | PhP/kWh | PhP/Meter/Mo. |
| Residential | 1.0612 | | 0.1944 | | 0.2022 | 5.00 |
| Commercial 1 | 0.9722 | | 0.1232 | | 0.3033 | |
| Commercial 2 | 0.9593 | | | 269.9347 | | 696.3581 |
| Hospital | 0.7337 | | | 269.9347 | | 696.3581 |
| General Power | 0.5159 | 145.2538 | | 264.4158 | | 1279.3565 |
| Street Lights | 1.0015 | | | 110.3416 | | |

11. LUECO herein proposes new lifeline rates as shown in ANNEX "K" hereof.

12. A comparison of the proposed basic rates and the existing basic rates per customer segment is shown in ANNEX "L".

13. Finally, to enable LUECO to implement in a timely manner its capital expenditure program and address its operating and maintenance requirements for the Second Regulatory Period, particularly for the Regulatory Year 2011 and avert financial prejudice to both LUECO and its consumers, it is necessary and indispensable that a provisional authority be immediately issued authorizing LUECO to implement the new rates pending hearing on the merit of the instant Application.

PRAYER

WHEREFORE, in view of all the foregoing, it is respectfully prayed that pending hearing, **LA UNION ELECTRIC COMPANY, INC.** be provisionally authorized to adopt and implement the proposed distribution-related rate structure and rate schedules, summarized as follows:

| | Distribution | | Supply | | Metering | |
|---------------|---------------------|----------|---------------|---------------|-----------------|---------------|
| | PhP/kWh | PhP/kW | PhP/kWh | PhP/Cust./Mo. | PhP/kWh | PhP/Meter/Mo. |
| Residential | 1.0612 | | 0.1944 | | 0.2022 | 5.00 |
| Commercial 1 | 0.9722 | | 0.1232 | | 0.3033 | |
| Commercial 2 | 0.9593 | | | 269.9347 | | 696.3581 |
| Hospital | 0.7337 | | | 269.9347 | | 696.3581 |
| General Power | 0.5159 | 145.2538 | | 264.4158 | | 1279.3565 |
| Street Lights | 1.0015 | | | 110.3416 | | |

and that after due notice and public hearing, the same be made permanent.

Applicant likewise prays for such other reliefs just and equitable under the premises.

Marikina City for the City of Pasig, Metro Manila.

16 April 2010.

**THE LAW FIRM
OF
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VERIFICATION AND CERTIFICATION

I, **RUBEN L. VALERO, JR.**, after having been duly sworn to in accordance with the law, depose and say:

1. That I am the **DIRECTOR-PRESIDENT** of **LA UNION ELECTRIC COMPANY, INC. (LUECO)**, the applicant-corporation in the above - entitled case;
2. That I have caused the preparation and filing of the foregoing **APPLICATION**;
3. That I have read the same and that all the allegations contained therein are true and correct of my own personal knowledge and belief;
4. That I hereby certify that **LUECO** has not commenced any other action or proceeding involving the same issue/s with the Supreme Court, the Court of Appeals or any other tribunal or agency;
5. That to the best of my knowledge no such action or proceeding involving the same issue/s is pending with the Supreme Court, the Court of Appeals or any other tribunal or agency;
6. That should I thereafter learn that an action or proceeding is pending with the Supreme Court, the Court of Appeals or any other tribunal or agency, I hereby undertake to report such fact within five (5) days with this Honorable Commission.

FURTHER AFFIANT SAYETH NONE.

RUBEN L. VALERO JR.

SUBSCRIBED AND SWORN to before me this _____ day of April 2010, affiant exhibited to me his Community Tax Certificate No. 17071351 issued on January 04, 2010 at San Juan, La Union

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