

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

IN RE: APPLICATION FOR APPROVAL OF  
(1.) DEPRECIATED REPLACEMENT COST  
OF APPLICANT'S PROPERTIES AS OF  
DECEMBER 31, 2008 AND (2.) REVISED  
RATE SCHEDULES TO ACHIEVE THE  
PROPOSED REVENUE REQUIREMENT IN  
ACCORDANCE WITH THE PROVISIONS  
OF R.A. 9136, WITH PRAYER FOR  
PROVISIONAL AUTHORITY

ERC CASE No. \_\_\_\_\_

PANAY ELECTRIC COMPANY  
(PECO),

Applicant.

X ----- X

APPLICATION

APPLICANT Panay Electric Company, Inc. (PECO), by the undersigned counsel,  
respectfully states: That –

1. It is a corporation duly organized and existing under the laws of the Republic of the Philippines with principal office located at Manfred's Building, General Luna Street, Iloilo City, and is duly authorized to operate electric light, heat and power systems in the City of Iloilo. PECO's President and Chief Executive Officer is Luis Miguel A. Cacho.

2. The rates presently being charged by Applicant are those authorized by the Honorable Commission in the decision and subsequent orders in ERC Case No. 2007-060RC (In the Matter of the Application for Approval of Revised Rate Schedules and Appraisal of Property, with Prayer for Provisional Authority”).

PECO respectfully submits for the consideration of the Honorable Commission this application for authority to increase its distribution, supply and metering charges, with a prayer for provisional authority, adopting the format prescribed by the Honorable Commission in its Resolution No. 18, Series of 2006.

3. PECO respectfully prays for the approval of the depreciated replacement cost of its assets as of December 31, 2008 as appraised by Cuervo Appraisers, Inc. including additions and retirements for the years 2005- 2008 and adjustment of its rates to achieve the proposed revenue requirement in accordance with the format prescribed by this Honorable Commission in its Resolution No. 18, Series of 2006.

4. The following table sets forth the proposed rates being applied for by the Applicant, as well as a comparison of these rates with the existing rates per customer class.

Table I. Comparison of the Proposed Rates with the Existing Rates per Customer Class

<b>Customer Class</b>	<b>Unit</b>	<b>Proposed Rates</b>	<b>Existing Rates</b>	<b>Difference</b>
<b>Residential</b>				
Distribution	kwh	1.0071	0.6321	0.3750
Supply	kwh	0.1661	0.1639	0.0022
Metering	kwh	0.2584	0.2326	0.0258
<b>Retail Customer</b>				
Charge	cust.	5.0000	5.0000	-
<b>Intermediate</b>				
Distribution	kwh	0.8385	0.6397	0.1988
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	49.3818	49.3818	-
<b>Commercial</b>				
Distribution	kwh	0.7856	0.7388	0.0468
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	385.6537	385.6537	-
<b>Power</b>				
Distribution	kwh	0.2595	0.2485	0.0110
Demand Charge	kwh	98.5750	98.5750	-
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	915.3810	915.3810	-
<b>City Government</b>				
Distribution	kwh	0.7796	0.3982	0.3814
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	49.3818	49.3818	-
<b>Street Lights</b>				
Distribution	kwh	0.8094	0.9971	(0.1877)
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	49.3818	49.3818	-
<b>Other Government</b>				
Distribution	kwh	0.7804	0.3457	0.4347
Supply	cust.	35.3995	34.8016	0.5979
Metering	cust.	49.3818	49.3818	-

5. An increase in Applicant's rates is necessary for it to achieve its proposed revenue requirement, which is set forth in the following table. The proposed revenue requirement

will not be achieved if the Applicant continues to charge its existing distribution, supply and metering rates.

Table II. Comparison of the Revenues from the Existing Rates and the Proposed

Customer Class	Billing Determinant	Existing Rates	Existing Revenue	Proposed Rates	Proposed Revenues
<b>Residential</b>					
Distribution	121,252,167	0.6321	76,643,495	1.0071	122,113,982
Supply	121,252,167	0.1639	19,873,230	0.1661	20,139,502
Metering	121,252,167	0.2326	28,203,254	0.2584	31,332,853
Retail Customer Charge	568,920	5.0000	2,844,600	5.0000	2,844,600
			-		
<b>Intermediate</b>					
Distribution	1,612,864	0.6397	1,031,749	0.8385	1,352,388
Supply	2,388	34.8016	83,106	35.3995	84,534
Metering	2,388	49.3818	117,924	49.3818	117,924
			-		
<b>Commercial</b>					
Distribution	64,716,064	0.7388	47,812,228	0.7856	50,839,161
Supply	30,576	34.8016	1,064,094	35.3995	1,082,376
Metering	30,576	385.6537	11,791,748	385.6537	11,791,748
			-		
<b>Power</b>					
Distribution	134,793,711	0.2485	33,496,237	0.2595	34,985,692
Demand Charge	691,248	98.5750	68,139,772	98.5750	68,139,949
Supply	11,028	34.8016	383,792	35.3995	390,386
Metering	11,028	915.3810	10,094,822	915.3810	10,094,822
<b>City Government</b>					
Distribution	3,850,048	0.3982	1,533,089	0.7796	3,001,443
Supply	1,380	34.8016	48,026	35.3995	48,851
Metering	1,380	49.3818	68,147	49.3818	68,147
<b>Street Lights</b>					
Distribution	5,448,792	0.9971	5,432,991	0.8094	4,410,502
Supply	5,052	34.8016	175,818	35.3995	178,838
Metering	5,052	49.3818	249,477	49.3818	249,477
<b>Other Government</b>					
Distribution	3,138,164	0.3457	1,084,863	0.7804	2,449,155
Supply	1,176	34.8016	40,927	35.3995	41,630
Metering	1,176	49.3818	58,073	49.3818	58,073
TOTAL			310,271,460		365,816,033
Difference in Revenues (Proposed - Existing)					55,544,573

6. The following table shows the Applicant's Rate Base which is broken down by its components.

Table III. Schedule of Rate Base

<b>Particulars</b>	<b>Total Company</b>
Plant in service	66,199,361
Construction work in progress	106,205,688
Materials and supplies	124,261,554
Cash working capital	583,146
<b>Total Rate Base</b>	<b>1,035,512,946</b>

7. The following table shows the Applicant’s proposed Revenue Requirement which is broken down by cost components.

Table IV. Summary of Proposed Revenue per Cost Component

<b>Particulars</b>	<b>Total Company</b>	<b>Electric Adjustment</b>	<b>Proposed Revenue Requirement</b>
Payroll	66,199,361		66,199,361
Operation & Maintenance (less fuel, PP & Payroll)	69,732,576		69,732,576
Depreciation & Amortization	106,205,688		106,205,688
Return on Rate Base	124,261,554		124,261,554
Less: Other Revenue Items	583,146		583,146
<b>Total Revenue Requirement</b>	<b>365,816,033</b>		<b>365,816,033</b>

8. The following table shows the revenue summary per customer class and function. The Revenues were classified by function, namely: Distribution, Supply and Metering.

The functionalization and allocation of cost used the Uniform Filing Requirements Model prescribed by the Honorable Commission to arrive at the Revenue Summary.

9. The proposed revenue requirement increased versus the last application due to the increases in payroll, operation and maintenance expense, depreciation and the return on rate base.

Table V. Revenue Summary per Customer Class & Function

Customer Class	Total Revenue	Distribution Related Revenue	Supply Related Revenue	Metering Related Revenue
Residential	181,664,356	122,113,982	20,139,502	39,410,872
Intermediate	1,676,312	1,352,388	84,534	239,390
Commercial	57,939,172	50,839,161	1,082,376	6,017,635
Power	113,154,070	103,125,641	390,386	9,638,043
City Government	3,384,150	3,001,443	48,851	333,855
Streetlights	5,232,250	4,410,502	178,838	642,910
Other Government	2,765,723	2,449,155	41,630	274,938
<b>TOTAL</b>	<b>365,816,033</b>	<b>287,292,272</b>	<b>21,966,118</b>	<b>56,557,643</b>

The following table shows the lifeline kWh consumption level and discount proposed herein. The Applicant has decided to retain the same consumption level and discount approved by the Commission in ERC Case Nos. 2007-060RC.

Table VI. Lifeline kWh Consumption Level and Discount

KWh Consumption	Level of Discount
75 & below	50 %
76 – 80	40 %
81 – 85	30 %
86 – 90	20 %
91 – 95	10 %

10. Applicant will be attaching to the instant Application Annexes “B” to “D”, which contains the list of documents (all attached) showing compliance with the Pre-Filing Requirements of the Implementing Rules and Regulations of R.A. 9136.

11. The Applicant submits the following schedules attached to its Application and marked as Annexes “E” to “I”, in compliance with the Uniform Filing Requirements:

Schedule A – Summary of Cost of Service Using Revalued Assets

Schedule B – Weighted Average Cost of Capital Using Revalued Assets

Schedule C – Functionalization Factors

Schedule D – Billing Determinants and Customer Class Allocation

Schedule E – Rate Design

Sub-Schedule E-1 – Revenue Summary

12. The Applicant is also submitting the following documents in support of the said schedules:

- A. 2008 Audited Financial Statements (Annex “J”)
- B. Trial Balance (Annex “K”)
- C. Schedule of Depreciated Replacement Cost (DRC) Appraisal as of December 31, 2008 by Cuervo Appraisers (Annex “L”)

13. The Applicant is also submitting with its Application two (2) electronic copies in CD form of the above-mentioned schedules.

14. And by way of a petition *ex-parte* for immediate and provisional approval of the revised rates proposed herein, Applicant further states:

15. It is established rate making jurisprudence, one which had been consistently adhered to by predecessors of the Commission, that the inability of a utility to earn its authorized return (Re: Michigan Consolidated Gas Co., 38 PUR 4<sup>th</sup> 272), as well as need for it to prevent a reduction of normal maintenance program (Re: Municipality of Anchorage, 37 PUR 4<sup>th</sup> 97) warrants a grant of provisional and immediate rate relief to the utility.

16. Applicant’s computation shows that its return on rate base (RORB) during the test year 2008 was only 6.58% .

Said computation is attached hereto as Annex “M”.

17. The foregoing computations clearly show that Applicant’s existing rates are very inadequate; a comparison of the Distribution, Supply and Metering charges of Applicant as of May 2009, with those of other private distribution utilities and cooperatives clearly shows the rates of Applicant are way below those of the others, as shown in Annex “N”.

18. With the financial hemorrhage being experienced by Applicant, dire consequences will inevitably result, in terms of an over-all deterioration in the service being rendered by Applicant. This could only be stemmed by an immediate relief being granted to Applicant, in terms of a provisional rate approval.

PRAYER

WHEREFORE, Applicant most respectfully prays that the revised rates proposed by Applicant (Table I. below), and the Depreciated Replacement Cost of Applicant’s properties be provisionally and immediately approved ex-parte under Section 16(c) of the Public Service Act, Section 8 of the Executive Order No. 172 and Section 4 (c) of the Rules and Regulations to Implement the EPIRA and that Applicant be authorized to adopt and implement them effective upon such provisional approval; and after hearing, that the said provisional approval be made permanent.

PECO further prays that the Depreciated Replacement Cost of its assets as appraised by Cuervo Appraisers, Inc. including additions and retirements for the years 2005 – 2008 in the total of Eight Hundred Ninety Four Million Eight Hundred Three Thousand Two Hundred Sixty Pesos (P 894,803,260.00) be likewise approved.

Table I. Proposed Rates per Customer Class

Rate	Unit	CUSTOMER CLASS						
		Residential	Inter mediate	Commercial	Power	City Govt.	Street Lights	Other Govt.
Distribution charge	/ kwhr	1.0071	0.8385	0.7856	0.2595	0.7796	0.8094	0.7804
Demand charge	/ kwhr				98.5750			
Supply charge	/ kwhr	0.1661						
Supply charge	/ cust		35.3995	35.3995	35.3995	35.3995	35.3995	35.3995
Metering charge	/ kwhr	0.2584						
Retail Customer charge	/ cust	5.0000	49.3818	385.6537	915.3810	49.3818	49.3818	49.3818

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

Marikina City for Pasig City, September 2, 2009

**THE LAW FIRM  
OF  
MANJARES & MANJARES**  
Counsel for the Applicant  
No. 5 Saint Anne Street  
Provident Villages, Marikina City

**(SGD.) NORBERTO F. MANJARES, JR.**  
ROLL OF ATTORNEY NO. 14937  
MCLE COMPLIANCE NO. II-0011340; 22 AUG. 2008  
PTR OR NO.1457739  
13 FEBRUARY 2009 – QUEZON CITY  
IBP OR NO.778780  
04 FEBRUARY 2009 – QUEZON CITY

- and -

**(SGD.) NORBERTO C. MANJARES, III**  
ROLL OF ATTORNEY NO. 41579  
MCLE COMPLIANCE NO. 0011607; 25 AUG. 2008  
PTR OR NO. 1457740  
13 FEBRUARY 2009 – QUEZON CITY  
IBP OR NO. 778781  
04 FEBRUARY 2009 – QUEZON CITY