

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

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE TRANSLATION INTO DISTRIBUTION RATES OF DIFFERENT CUSTOMER CLASSES FOR THE FIRST REGULATORY YEAR OF THE ERC-APPROVED ANNUAL REVENUE REQUIREMENT FOR TARLAC ELECTRIC, INC., (TEI) UNDER THE PERFORMANCE BASED REGULATION (PBR) FOR THE REGULATORY PERIOD 2011-2014.

ERC CASE NO. 2010-029RC

TARLAC ELECTRIC, INC. (TEI),  
Applicant.  
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## **APPLICATION**

COMES NOW Applicant TARLAC ELECTRIC, INC. (hereinafter referred to as "TEI" or "Applicant"), through the undersigned counsel and unto this Honorable Commission, most respectfully avers:

1. TEI is a private corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Mabini St., Tarlac City, where it may be served with summons and other legal processes, represented in this instance by its President and General Manager, Vivencio M. Romero, Jr., of legal age, Filipino, married and with office address also at Mabini St., Tarlac City. TEI is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power services in the City of Tarlac, Province of Tarlac.

2. 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 (Second and Later Entry Points)” (“RDWR”), 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.

3. TEI 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 June 19, 2009, TEI filed an application (docketed as ERC Case No. 2009-042RC) for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) covering the Second Regulatory Period from July 1, 2010 to June 30, 2014 in accordance with the provisions of the RDWR.

4. Thereafter, the Honorable Commission issued the Final Determination for the Applicant, in the aforesaid case, as contained in its decision dated March 8, 2010.

a. Based on the Final Determination, Applicant’s ARR for the First Regulatory Year of the Second Regulatory Period as approved by the Honorable Commission is as follows:

Building Block	2011 (PhP Million, Nominal)
Return on Capital	166.3
OPEX	163.1
Regulatory Depreciation	52.0
Corporate Income Tax	0.0
Other Taxes	3.7
<b>Subtotal</b>	<b>385.1</b>
GSL Allowance	1.9
<b>Resulting ARR before Regulatory Intervention</b>	<b>387.0</b>
Regulatory Intervention	40.0
<b>TOTAL</b>	<b>347.0</b>

- b. The opening MAP that will apply to Applicant at the start of the Second Regulatory Period as approved by the Honorable Commission in the Final Determination is PhP1.2571/kWh.
  
- c. Section 1.4.1 of the Final Determination requires that the MAP set in terms of the Final Determination should be converted into a distribution rate structure to be filed with the Honorable Commission for approval.

5. In compliance with the requirements under the RDWR and the Final Determination for the conversion of the approved MAP into a distribution rate structure, Applicant herein applies for the approval of the translation into distribution rates of different customer classes of its approved MAP for the First Regulatory Year ending June 30, 2011 of the Second Regulatory Period.

6. The smoothed MAP<sub>2011</sub> of PhP1.2571 per kWh (net of Regulatory Intervention) was broken down into the average unbundled components of Distribution Charge, Supply Charge and Metering Charge, with the following resulting figures:

Distribution Charge	0.9109
Supply Charge	0.1755
Metering Charge	0.1628
<b>TOTAL</b>	<b>1.2492</b>

The resulting rates for Commercial/Industrial – Secondary customers breached the side constraint of 16.63%. In this regard, PhP1.74 Million of revenue from the allocated revenue requirement of this customer class was deferred. The under recoveries resulting from this deferment will be recovered on the Second Regulatory Year ending June 30, 2012.

7. Summarized below is Applicants's proposed distribution-related rate structure:

**TEI – PROPOSED RATES**

Customer Class	DISTRIBUTION		SUPPLY		METERING	
	PhP/ kW	PhP/ kWh	PhP/ Cust./ Month	PhP/ kWh	PhP/Custo mer/ Month	PhP/ kWh
<b>Residential</b>		<b>1.1559</b>	<b>5.00</b>	<b>0.2826</b>	<b>5.00</b>	<b>0.2230</b>
<b>Small Commercial</b>		<b>1.1559</b>	<b>5.00</b>	<b>0.2826</b>	<b>5.00</b>	<b>0.2230</b>
<b>Commercial/ Industrial – Secondary</b>	<b>296.54</b>		<b>51.41</b>		<b>1,250.27</b>	
<b>Commercial/ Industrial – Primary</b>	<b>224.30</b>		<b>51.41</b>		<b>8,807.55</b>	
<b>69 KV</b>	<b>133.43</b>		<b>51.41</b>		<b>16,449.74</b>	
<b>Flat/Street Lights</b>		<b>0.8754</b>	<b>51.41</b>			

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”). TEI used in its calculations the information contained in the Final Determination dated March 8, 2010.

In this application, TEI proposes to change its Supply Charges for Residential and Small Commercial customers from a rate per kWh to a combination of a fixed monthly rate per customer and a rate based on consumption, i.e. rate per customer per month and rate per kWh. The rate per customer of PhP5.00 will show that Supply Charges are more customer related rather than consumption related and PhP5.00 is only a portion of the cost needed to bill and collect from these customers.

TEI also proposes to remove the rate per kWh component of Commercial/Industrial – Secondary customers in preparation for open access.

8. In support of this Application, TEI has attached the following supporting documents:

<b>Schedule</b>	<b>Information Provided</b>
A	Summary of Cost of Service Using Revalued Assets
B	Functionalization Factors
C	Functionalization Factors per Voltage Levels
D	Billing Determinants for the Year 2009
E	Revenue Summary
E-1	Proof of Revenue Statement
E-2	Side Constraints
F	Revenue Requirement per Function
F-1	Historical Revenue and Average Historical Rates
F-2	Approved Annual Revenue Requirement
F-3	Allocation of Annual Revenue Requirement Based on Resulting Revenue from Current Rates
G	Comparison of Proposed and Existing Rates
H	Proposed Rate Schedule per Customer Class
H-1	Rate Class Definition

7. The approval of this Application will allow TEI to fulfill its obligations under Performance Based-Regulation 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**, Applicant TARLAC ELECTRIC, INC. respectfully prays that this Application be approved, authorizing Applicant to adopt the herein proposed distribution-related rate structure and rate schedules, summarized as follows:

Customer Class	DISTRIBUTION		SUPPLY		METERING	
	PhP/ kW	PhP/ kWh	PhP/ Cust./ Month	PhP/ kWh	PhP/Custo mer/ Month	PhP/ kWh
Residential		1.1559	5.00	0.2826	5.00	0.2230
Small Commercial		1.1559	5.00	0.2826	5.00	0.2230
Commercial/ Industrial – Secondary	296.54		51.41		1,250.27	
Commercial/ Industrial – Primary	224.30		51.41		8,807.55	
69 KV	133.43		51.41		16,449.74	
Flat/Street Lights		0.8754	51.41			

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

Marikina City for the City of Pasig, Metro Manila.

10 April 2010.

**THE LAW FIRM  
OF  
MANJARES & MANJARES**

Counsel for Tarlac Electric Incorporated  
No. 5 St. Anne Street  
Provident Villages, Marikina City

**NORBERTO F. MANJARES, JR.**

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13 February 2009 – Quezon City  
Roll of Attorneys No. 14937  
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- and -

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13 February 2009 – Quezon City  
Roll of Attorneys No. 41579  
MCLE Compliance No. II-0011607; 25 August 2008  
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# **VERIFICATION AND CERTIFICATION**

I, **VIVENCIO M. ROMERO, JR.**, after having been duly sworn to in accordance with law, depose and say:

1. That I am the President and General Manager of Tarlac Electric, Inc. (**TEI**), the applicant-corporation in the above-entitled case;
2. That I have caused the preparation and filing of the instant 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 **TEI** has not commenced any action and/or proceeding involving the same issue/s before the Supreme Court, the Court of Appeals or any other tribunal or agency;
5. That to the best of my knowledge no such action and/or proceeding involving the same issue/s is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency;
6. That should I thereafter learn that such action and/or proceeding is pending before the Supreme Court, the Court of Appeals or any other tribunal or agency, I herein undertake to report such fact before this Honorable Commission within five (5) days from knowledge.

**FURTHER AFFIANT SAYETH NONE.**

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**VIVENCIO M. ROMERO, JR.**

**SUBSCRIBED AND SWORN** to before me this 10<sup>th</sup> day of April 2010, affiant exhibited to me his Community Tax Certificate No. 09555201 issued on January 15, 2010 at Tarlac City.

ROMEO T. DIZON  
Notary Public  
Until December 30, 2010  
PTR No. 0767103 1/5/2010  
IBP No. 773710-Tarlac Chapter  
Roll of Atty. No. 24425  
Tarlac City

Doc. No. 2429;  
Page No. 86;  
Book No. V;  
Series of 2010.