

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 THE  
VISAYAN ELECTRIC COMPANY,  
INC. (VECO) UNDER THE  
PERFORMANCE BASED  
REGULATION (PBR) FOR THE  
REGULATORY PERIOD JULY 1,  
2010- JUNE 30, 2014

ERC CASE NO. 2010-042RC

VISAYAN ELECTRIC COMPANY,  
INC. (VECO),

Applicant.

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**APPLICATION**  
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Applicant VISAYAN ELECTRIC COMPANY, INC. (“VECO”),  
through the undersigned counsel, and unto this Honorable Commission, most  
respectfully states: That –

1. The Applicant is a corporation duly organized and existing under  
and by virtue of the laws of the Philippines, with principal operations at VECO  
Compound, #59 J. Panis Street, Banilad, Cebu City, where it may be served  
with summons and other legal processes, represented in this instance by its

Chief Operating Officer, Jaime Jose Y. Aboitiz, of legal age, Filipino, married and with office address also at #59 J. Panis Street, Banilad, Cebu City. The Applicant is the exclusive franchise holder issued by Congress of the Philippines/National Electrification Commission to operate an electric light and power services in the cities of Cebu, Mandaue, and Talisay, and the surrounding Municipalities of Naga, Minglanilla, San Fernando, Consolacion and Liloan, all in the Province of Cebu.

2. On June 15, 2009, Applicant filed an application (docketed as ERC Case No. 2009-040RC) 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 Rules for Setting Distribution Wheeling Rates (“RDWR”).

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

4. The Applicant filed a Motion for Partial Reconsideration on March 23, 2010 in ERC Case No. 2009-040RC asking the Honorable Commission to partially reconsider its Decision dated March 8, 2010 by reinstating the disallowed capital projects, as well as the tree planting expenditure under the Operating and Maintenance Expenditure Forecast for the Second Regulatory Period.

5. Mr. Rodolfo Roman T. Bigornia filed a Motion for Reconsideration on April 13, 2010 asking the Honorable Commission to reconsider its Decision dated March 8, 2010 and thereafter a) impose a twelve percent (12%) cap as reasonable return on capital in lieu of the 15.01% WACC;

b) require VECO to go through a compliance audit by the Commission on Audit (COA), pending results of which the approved Annual Revenue Requirement (ARR) and the resulting increases in electricity rates arising from such approved ARR be deemed provisional.

6. The Applicant received on May 17, 2010 the Order of the Honorable Commission resolving both the Applicant's Motion for Partial Reconsideration and Mr. Bigornia's Motion for Reconsideration in ERC Case No. 2009-040RC.

The Order of Honorable Commission dated May 5, 2010 states as follows:

“**WHEREFORE**, the foregoing premises considered, the Commission hereby **RESOLVES** to:

- a. **GRANT WITH MODIFICATION** the “Motion for Partial Reconsideration (On the Final Determination Dated March 8, 2010)” filed on March 23, 2010 by Visayan Electric Company, Incorporated (VECO); and
- b. **DENY** the “Motion for Reconsideration” filed on April 13, 2010 by Mr. Rodolfo Roman T. Bigornia, for lack of merit.

Accordingly, the dispositive portion of the Decision dated March 8, 2010 is hereby **AMENDED** to read as follows:

xxx

Finally, VECO is hereby directed to **FILE** its application for approval of the translation into distribution rates of its different customer classes for the first regulatory year of the ERC-approved annual revenue requirement under the Performance Based Regulation (PBR) for the regulatory period 2010-2014 on or before May 20, 2010.”

7. The opening Maximum Average Price (MAP) of the Applicant which was approved by the Honorable Commission for the First Regulatory Year of the Second Regulatory Period (MAP<sub>2011</sub>) as set forth in the Final Determination dated March 8, 2010, as amended by the Order dated May 5, 2010, in ERC Case No. 2009-0040RC is **PhP1.1717/kWh**.

8. Based on the Final Determination dated March 8, 2010, as amended by the Order dated May 5, 2010, Applicant has converted the MAP<sub>2011</sub> into a distribution rate structure as follows:

#### **PROPOSED RATES - VECO**

	<b>Distribution</b>		<b>Supply</b>		<b>Metering</b>	
	Php/kWh	Php/kW	Php/kWh	Php/Cust./Mo.	Php/kWh	Php/Cust./Mo.
<b>Streetlight</b>	0.9185	-	-	751.16	-	-
<b>Residential</b>	1.2461	-	0.2776	-	0.3982	22.20
<b>General Service</b>	1.2461	-	0.2776	-	0.3982	22.20
<b>General Power</b>	0.9278	-	-	313.20	-	344.06
<b>Bulk Power</b>	0.2498	122.65	0.0286	736.98	0.0155	398.20
<b>Wholesale Power</b>	0.1456	79.04	0.0282	4,435.32	0.0197	3,098.50
<b>Special Wholesale Power</b>	-	161.77	0.0039	12,540.47	0.0019	6,192.20
<b>Large Wholesale Power</b>	-	72.87	0.0016	12,540.47	0.0008	6,192.20

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”), as amended. The Applicant used in its calculations the information contained in the Final Determination of March 8, 2010 as amended by the Order of May 5, 2010.

9. In addition to the proposed rates, the Applicant also proposes to change its lifeline subsidies as follows:

**PROPOSED LIFELINE SUBSIDIES**

Discount Level	kWh Consumption	Customer Count	Power Cost (PhP/kWh)	Distribution-Related Charges (PhP/kWh)	Gross	Discount Rate	Revenue Discount
0-20	222,654	20,491	6.1214	2.0215	2,245,831	100%	2,245,831
21-25	153,795	6,677	6.1214	2.0215	1,385,272	50%	692,636
26-30	198,384	7,077	6.1214	2.0215	1,752,797	40%	701,119
31-35	243,382	7,373	6.1214	2.0215	2,121,304	35%	742,456
36-40	289,053	7,606	6.1214	2.0215	2,493,816	30%	748,145
41-45	331,009	7,697	6.1214	2.0215	2,833,297	25%	708,324
46-50	371,091	7,731	6.1214	2.0215	3,156,444	20%	631,289
51-100	4,264,643	64,326	6.1214	2.0215	35,730,083	15%	5,359,512

Total	11,829,312
Annual Total	141,951,747
kWh without Lifeline	1,917,620,787
Lifeline Subsidy per kWh	0.0740

10. In support of this Application, the Applicant has attached the following supporting documents:

<u>Annex</u>	<u>Particulars</u>
A1	Proposed Rate Schedule
A2	Net Revenue Requirement by Class
A3	Proposed Application of Regulatory Smoothing
A4	Class Allocation Ratios
A5	Revenue Requirements
A6	Operating & Maintenance - Distribution
A7	Operating & Maintenance – Supply
A8	Operating & Maintenance – Metering
A9	Distribution Assets
A10	Supply Assets
A11	Metering Assets
A12	Depreciation – Distribution
A13	Depreciation – Supply
A14	Depreciation – Metering
A15	Other Taxes
B	Rate Schedules
C	Lifeline Subsidy
D	Side Constraints & Comparative Rates

11. 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 First Regulatory Year of the Second Regulatory Period, 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, VECO most respectfully prays of this Honorable Commission, after due notice and hearing, that this Application be approved and that VECO be authorized to adopt and implement the a) proposed distribution rate structure, as enumerated below, and the attached Rate Schedule for each Customer Class per Annex B of this Application and b) proposed Lifeline Subsidies:

### **PROPOSED RATES - VECO**

	<b>Distribution</b>		<b>Supply</b>		<b>Metering</b>	
	Php/kWh	Php/kW	Php/kWh	Php/Cust./Mo.	Php/kWh	Php/Cust./Mo.
<b>Streetlight</b>	0.3307	-	-	751.16	-	-
<b>Residential</b>	1.2461	-	0.2776	-	0.3982	22.20
<b>General Service</b>	1.2461	-	0.2776	-	0.3982	22.20
<b>General Power</b>	0.9278	-	-	313.20	-	344.06
<b>Bulk Power</b>	0.2498	122.65	0.0286	736.98	0.0155	398.20
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## PROPOSED LIFELINE SUBSIDIES

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Total	11,829,312
Annual Total	141,951,747
kWh without Lifeline	1,917,620,787
Lifeline Subsidy per kWh	0.0740

Other reliefs equitable under the premises are likewise prayed for.

RESPECTFULLY SUBMITTED.

Pasig City, May 17, 2010.

**QUIASON MAKALINTAL BAROT  
TORRES IBARRA AND SISON**

Counsel for the Applicant  
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By:

**MANUEL L.M. TORRES**  
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PASIG CITY  
IBP NO. 800240; 1/4/10  
RSM

**VERIFICATION/CERTIFICATION**  
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**JAIME JOSE Y. ABOITIZ**, of legal age, Filipino, married and with office address at #59 J. Panis Street, Banilad, Cebu City, after having been duly sworn in accordance with law, hereby deposes and states: That –

1. He is the Chief Operating Office of the Visayan Electric Company Inc. (VECO), 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 VECO.

3. VECO 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.

**JAIME JOSE Y. ABOITIZ**

SUBSCRIBED AND SWORN to before me this \_\_\_<sup>th</sup> day of May 2010 at \_\_\_\_\_, affiant who is personally known to me, exhibiting to me his Community Tax Certificate No. \_\_\_\_\_ issued at \_\_\_\_\_ on \_\_\_\_\_

and his Driver's License with License Number \_\_\_\_\_ as competent evidence of identity.

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