

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE APPLICATION FOR
APPROVAL OF THE ANNUAL REVENUE
REQUIREMENT AND PERFORMANCE INCENTIVE
SCHEME IN ACCORDANCE WITH THE
PROVISIONS OF THE RULES FOR SETTING
DISTRIBUTION WHEELING RATES (RDWR),**

ERC CASE NO. 2010- RC

**SAN FERNANDO ELECTRIC LIGHT AND POWER
CO., INC. (SFELAPCO)**

Applicant.

APPLICATION

COMES NOW, Applicant San Fernando Electric Light and Power Co., Inc. ("SFELAPCO", for brevity) through the undersigned counsel, and unto this Honorable Commission, most respectfully states; that:

1. Applicant is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bo. Lourdes, City of San Fernando, Pampanga, where it may be served with summons and other legal processes, represented in this instance by its Senior Vice President/General Manager, Jose T. Lazatin, of legal age, Filipino, married and with office address also at Bo. Lourdes, City of San Fernando, Pampanga. Herein 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 City of San Fernando, Municipality of Floridablanca, and Barangays Talang/Ligaya of the Municipality of Guagua, all in the Province of Pampanga.
2. Applicant will enter Performance-Based Regulation at the fourth entry point, as originally described in Annex B of Commission Resolution No. 12-02 Series of 2004 "Adopting a Methodology for Setting Distribution Wheeling Rates", dated December 10, 2004, and later amended by the Energy Regulatory Commission (Commission) to make provision for four entry points. The application submitted to the Commission is for the approval of the Annual Revenue Requirement and Performance Incentive Scheme required for the

Second Regulatory Period described in the amended Rules for setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities entering Performance Based Regulation (Fourth Entry Point) issued by the Commission on June 22, 2009. This Second Regulatory Period commences on October 1, 2011 and terminates on September 30, 2015.

- 2a. Applicant proposes the Annual Revenue Requirement and Performance Incentive Scheme values thus approved to form the basis of the Commission's determination of the X-factor, P₀-factor and the Maximum Annual Prices that will apply to the Applicant and on which it will base its rate setting for the Second Regulatory Period.
3. Applicant has prepared its proposal as contained in this application in accordance with the conditions described in the afore-mentioned RDWR and in the implementing guidelines issued by the Commission in its Position Paper on the Regulatory Reset for the October 2011 to September 2015 Regulatory Period for Privately Owned Distribution Utilities subject to Performance Based Regulation, dated June 22, 2009 (Position Paper). The application submitted to the Commission made use of the methodology described in the RDWR, the Position Paper and applied the financial spreadsheet model titled Commission-MODEL-4TH ENTRY-V1.0.xls (Price-Cap Model) that was provided to the Applicant by the Commission.
4. The proposed Annual Revenue Requirement is based on the Building Block calculation described in the afore-mentioned RDWR, with the exclusion of corporate income tax, as set out below for each Regulatory Year and for which the Applicant is seeking the immediate approval of the Commission:

Table 1. Annual Revenue Requirement as per Building Block approach

| Building Block | Proposed revenue requirement per Regulatory Year | | | |
|---|--|--------------------|--------------------|--------------------|
| | (PhP) | | | |
| | 2012 | 2013 | 2014 | 2015 |
| Operating and maintenance expenditure | 379,142,632 | 419,612,558 | 461,265,144 | 512,067,192 |
| Taxes, levies & duties (other than corporate tax) | 4,564,537 | 908,536 | 1,407,041 | 1,709,324 |
| Regulatory depreciation | 96,189,205 | 100,949,028 | 105,576,632 | 108,581,743 |
| Return on capital | 317,545,707 | 336,094,451 | 348,795,167 | 353,638,990 |
| TOTAL REVENUE REQUIREMENT | 797,442,081 | 857,564,573 | 917,043,984 | 975,997,250 |

Note : All values are in nominal terms

The meaning and application of these parameters are as described in the aforementioned RDWR.

Corporate income tax has been discontinued as a building block for the Second Regulatory Period following an approach by various Regulated Entities in this regard and consultation on the resulting changes to the RDWR. This rule change (and others approved by the Commission) was published in the ERC document titled "*Performance Based Regulation of Privately Owned Electricity Distribution Utilities : Modifications to the Rules for Setting Distribution Wheeling Rates (RDWR)*" dated June 22, 2009.

5. The afore-mentioned Annual Revenue Requirement is based on a proposed rolled-forward value of the Applicant's Regulatory Asset Base as described below. The opening value of the Regulatory Asset Base for 2011 is based on the value of the Regulatory Asset Base on June 30, 2009, as valued by the Commission and communicated to the Applicant, suitably amended to a September 30, 2011 value in accordance with the method described in the RDWR.

Table 2. Summary of proposed Rolled-forward Regulatory Asset Base (RAB)

| ITEM | PhP for Regulatory Year | | | |
|---|-------------------------|----------------------|----------------------|----------------------|
| | 2012 | 2013 | 2014 | 2015 |
| Opening value of RAB | 2,015,484,547 | 2,165,104,647 | 2,257,174,325 | 2,328,684,690 |
| plus Capital Expenditure | 245,809,305 | 193,018,705 | 177,086,997 | 94,674,281 |
| minus Regulatory Depreciation on asset base at start of Second Regulatory Period | 92,829,687 | 92,201,052 | 91,389,183 | 88,836,532 |
| minus Regulatory Depreciation on capital expenditure incurred during the Second Regulatory Period | 3,359,518 | 8,747,976 | 14,187,449 | 19,745,211 |
| Closing value of RAB | 2,165,104,647 | 2,257,174,325 | 2,328,684,690 | 2,314,777,228 |
| AVERAGE VALUE OF RAB | 2,090,294,597 | 2,211,139,486 | 2,292,929,507 | 2,321,730,959 |

Note : All values are in nominal terms

6. For the calculation of the above-mentioned Annual Revenue Requirement and Rolled-forward Regulatory Asset Base, as instructed by the Commission, Applicant has applied the preliminary values for the parameters presented below:

Table 3. Input values provided by the Commission

| Parameter | Date instructed by Commission | Preliminary value adopted |
|--|-------------------------------|---------------------------------|
| Construction work in progress factor (CWIP factor) | 10/26/2009 | For substation projects : 4.20% |
| | | For other projects : 2.98% |
| P ₀ -factor | | 0 PhP/kWh |
| X-factor | | -0.1342 |
| Valuation of the Applicant's regulatory asset base as at June 30, 2009 | | PhP1,656,685,455 |
| Working-capital proportion | | 6.85% |

The meaning and application of these parameters are as described in the aforementioned RDWR.

7. In calculating the afore-mentioned Annual Revenue Requirement for the Second Regulatory Period, the Applicant made use of the estimated Philippine Consumer Price Index, United States of America Consumer Price Index and Philippine Peso/United States dollar exchange rate figures below (figures provided for calendar years and converted to regulatory years):

Table 4a. Forecast Change in the Consumer Price Index for the Philippines

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------|-----------------------------|-------|-------|-------|-------|-------|
| Calendar Year | 3.80% | 4.30% | 4.00% | 4.00% | 4.00% | 5.10% |
| Regulatory Year | | 4.20% | 4.10% | 4.00% | 4.00% | 4.80% |
| Data source : | Bangko Sentral ng Pilipinas | | | | | |

Table 4b. Forecast Change in the Consumer Price Index for the United States of America

| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------|---|-------|-------|-------|-------|-------|
| Calendar Year | 1.60% | 1.30% | 1.90% | 2.50% | 2.80% | 2.80% |
| Regulatory Year | | 1.40% | 1.80% | 2.40% | 2.70% | 2.80% |
| Data source : | US Bureau of Labour, US City Average, Series CUUR000SAO | | | | | |

Table 4c. Forecast PhP/US\$ Exchange Rate (average for the year)

| Quarter ending | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|-----------------|-----------------------------|-------|------|-------|-------|------|
| Calendar Year | 47.8 | 47.3 | 46.9 | 46.7 | 46.5 | 46.5 |
| Regulatory Year | | 47.43 | 47 | 46.75 | 46.55 | 46.5 |
| Data source : | Bangko Sentral ng Pilipinas | | | | | |

- 7a. For the purposes of the initial and subsequent annual price resets during the Second Regulatory Period as required in terms of the RDWR, the Applicant will update the aforementioned Consumer Price Indices and foreign exchange rates with actual values in accordance with the RDWR and will use such updated values for the price resets.
8. The afore-mentioned Annual Revenue Requirement is in part based on a proposed rate of return of 15.01% per annum. This rate of return corresponds with the Regulatory Weighted Average Cost of Capital allowed in terms of the Commission's Final Determination on the price control arrangements for utilities entering Performance Based Regulation at the third entry point. The Applicant recognizes that the Commission will revise the actual Weighted Average Cost of Capital that will apply in its Final Determination of the price control arrangements for the Second Regulatory Period for the fourth entry group and that this may differ from the figure used in this Revenue Application.
9. Allowance has been made in accordance with the RDWR to include assets used beyond their standard lives in the Regulatory Asset Base, at a value equal to 5% of their optimized replacement cost.
10. The proposed Capital Expenditure included in the afore-mentioned calculation of the Rolled-forward Regulatory Asset Base is as demonstrated below:

| Table 5. Proposed Capital Expenditure (per regulatory year) | | | | | |
|--|---------------------|-------------|-------------|-------------|-------------|
| ITEM | NOMINAL PESO | | | | |
| Capex Category | 2011 | 2012 | 2013 | 2014 | 2015 |
| A REGULATED DISTRIBUTION SERVICES ASSETS | | | | | |
| A1 Regulated Distribution Services Assets – Network assets | | | | | |
| Land and Land Rights (Distribution Purposes) | | | | | |
| Structures and Improvements | | | | | |
| Station Equipment | | | | | |
| Power transformers | | | | | |
| Switchgear | 5,138,841 | | | | |
| Protective equipment | | 483,929 | | 1,072,277 | |
| Metering & control equipment | | | | | |
| Communications equipment | | | | | |
| Other station equipment | | | | | |

| ITEM | NOMINAL PESO | | | | |
|---|--------------|------------|------------|------------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Capex Category | | | | | |
| Poles, Towers and Fixtures - Distribution | 13,892,032 | 73,355,764 | 39,989,866 | 61,237,840 | 22,726,342 |
| Overhead Conductors and Devices - Distribution | 14,247,510 | 26,282,660 | 13,021,152 | 14,955,152 | 5,792,256 |
| Underground Conduits – Distribution | | | | | |
| Underground Conductors and Devices - Distribution | | | | | |
| Distribution Transformers | 20,559,651 | 24,188,395 | 22,810,992 | 23,734,606 | 25,347,949 |
| Power Conditioning Equipment | 3,061,619 | 2,547,876 | 2,651,699 | 2,757,767 | 2,883,206 |
| Meters, Instruments and Metering Transformers - Distribution | | | | | |
| Information technology Equipment (distribution) | | | | | |
| Regulated Entity Property on Consumer's Premises | | | | | |
| Street Lights and Signal Systems | | | | | |
| Submarine Cables | | | | | |
| A2 Regulated Distribution Services Assets – Non-network fixed assets | | | | | |
| Land and Land Rights (non-network) | | | | | |
| Structures and Improvements (non-network) | | | 77,396,863 | | |
| Office Furniture and Equipment | 1,021,274 | 1,062,378 | 1,105,669 | 1,149,896 | 1,202,200 |
| Transportation Equipment | 13,127,015 | 5,766,210 | 3,380,939 | 16,476,165 | 9,532,369 |
| Stores Equipment | | 197,284 | | | |
| Tools, Shop and Garage Equipment | | | 4,422,678 | | |
| Laboratory Equipment | 1,021,274 | | | | |
| Information Systems Equipment (non-network) | 4,204,380 | 65,591,615 | 2,255,953 | 25,579,626 | |
| Power-operated Equipment | | | | | |
| Communication Plant and Equipment | 510,637 | 531,189 | 552,835 | 574,948 | 601,100 |
| Miscellaneous Equipment | 2,246,802 | 1,274,854 | 1,326,803 | 1,379,876 | 1,442,640 |

| ITEM | NOMINAL PESO | | | | |
|--|-------------------|--------------------|--------------------|--------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Capex Category | | | | | |
| A3 Regulated Distribution Services Assets – Materials and supplies (including spares) | 9,559,088 | 5,463,139 | 3,279,250 | 5,041,585 | 2,685,490 |
| A4 Regulated Distribution Services Assets – Transferred Subtransmission Assets | | | | | |
| Subtotal A | 88,590,121 | 206,745,293 | 172,194,701 | 153,959,738 | 72,213,553 |
| B DISTRIBUTION CONNECTION SERVICES ASSETS | | | | | |
| B1 Distribution Connection Services Assets – Network assets | | | | | |
| Poles, Towers and Fixtures (Customer) | | | | | |
| Overhead Conductors and Devices (Customer) | 3,841,784 | 3,996,410 | 4,159,261 | 4,325,631 | 4,522,385 |
| Underground Conduits (Customer) | | | | | |
| Underground Conductors and Devices (Customer) | | | | | |
| Distribution Transformers (Customer) | | | | | |
| Information technology Equipment (Connection) | | | | | |
| B2 Distribution Connection Services Assets – Non-network fixed assets | | | | | |
| Land and Land Rights (non-network) | | | | | |
| Structures and Improvements (non-network) | | | | | |
| Office Furniture and Equipment | | | | | |
| Transportation Equipment | | | | | |
| Stores Equipment | | | | | |
| Tools, Shop and Garage Equipment | | | | | |
| Laboratory Equipment | | | | | |
| Information Systems Equipment (non-network) | | | | | |
| Power-operated Equipment | | | | | |
| Communication Plant and Equipment | | | | | |
| Miscellaneous Equipment | | | | | |

| ITEM | NOMINAL PESO | | | | |
|---|--------------------|--------------------|--------------------|--------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Capex Category | | | | | |
| B3 Distribution Connection Services Assets – Materials and supplies (including spares) | | | | | |
| Subtotal B | 3,841,784 | 3,996,410 | 4,159,261 | 4,325,631 | 4,522,385 |
| C REGULATED RETAIL SERVICES ASSETS | | | | | |
| C Regulated Retail Services Assets | | | | | |
| Meters, Instruments & Metering Transformers (Consumer Consumption Metering) | 11,083,249 | 29,944,985 | 13,630,491 | 14,809,050 | 15,465,894 |
| Land and land rights | | | | | |
| Structures and improvements | | | | | |
| Office Furniture and Equipment | | | | | |
| Transportation Equipment | | | | | |
| Stores Equipment | | | | | |
| Tools, Shop and Garage Equipment | | | | | |
| Laboratory Equipment | | | | | |
| Information Systems Equipment | | | | | |
| Communication Plant and Equipment | | | | | |
| Miscellaneous Equipment | | | | | |
| Subtotal C | 11,083,249 | 29,944,985 | 13,630,491 | 14,809,050 | 15,465,894 |
| TOTAL | 103,515,154 | 240,686,688 | 189,984,452 | 173,094,419 | 92,201,832 |

10a. The above-mentioned proposed Capital Expenditure is increased from current levels to reflect new capital expenditure required to meet growing energy demand, increased customer numbers, service quality and performance measurement improvements and the replacement of ageing or obsolete equipment.

11. The proposed Operating & Maintenance Expenditure included in the afore-mentioned calculation of the Annual Revenue Requirement is as demonstrated below:

Table 6. Proposed Operating & Maintenance Expenditure (per regulatory year)

| Opex Category and Sub-category | Nominal PhP | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| A REGULATED DISTRIBUTION SERVICES | | | | | |
| A1. Distribution: Operation | | | | | |
| Operation supervision & engineering | 1,677,724 | 1,902,690 | 2,160,465 | 2,453,080 | 2,803,095 |
| Contractor services | 7,579,853 | 8,251,359 | 8,980,336 | 9,760,443 | 10,658,098 |
| Load dispatching | 10,066,344 | 11,416,142 | 12,962,791 | 14,718,481 | 16,818,571 |
| Structures | 25,613,858 | 27,538,894 | 29,609,748 | 31,800,364 | 34,320,167 |
| Substations | 838,862 | 951,345 | 1,080,233 | 1,226,540 | 1,401,548 |
| Overhead conductors & devices | 18,676,703 | 20,723,059 | 23,026,912 | 25,593,565 | 28,633,195 |
| Underground cables & devices | | | | | |
| Streetlighting and signal systems | | | | | |
| Metering (distribution network) | 3,355,448 | 3,805,381 | 4,320,930 | 4,906,160 | 5,606,190 |
| Rents | 1,925,273 | 2,002,762 | 2,084,373 | 2,167,748 | 2,425,899 |
| Information technology (distribution network) | 838,862 | 951,345 | 1,080,233 | 1,226,540 | 1,401,548 |
| Miscellaneous | 3,397,408 | 3,653,308 | 3,928,590 | 4,219,799 | 4,554,727 |
| A2. Distribution: Maintenance | | | | | |
| Maintenance supervision & engineering | 838,862 | 951,345 | 1,080,233 | 1,226,540 | 1,401,548 |
| Contractor services | 9,437,804 | 10,230,653 | 11,077,333 | 11,967,412 | 12,979,077 |
| Structures | 26,958,333 | 29,220,696 | 31,636,644 | 34,176,361 | 37,063,114 |
| Substations | 8,735,150 | 9,510,296 | 10,346,832 | 11,237,040 | 12,257,598 |
| Overhead lines & Devices | 26,616,652 | 29,776,216 | 33,343,171 | 37,330,841 | 42,054,976 |
| Underground cables & devices | | | | | |
| Streetlighting and signal systems | | | | | |
| Distribution transformers | 16,807,068 | 18,217,529 | 19,723,743 | 21,307,120 | 23,106,855 |
| Information technology (distribution network) | | | | | |
| Metering (distribution network) | 16,199,158 | 17,684,859 | 19,297,724 | 21,025,668 | 23,015,848 |
| Miscellaneous | 3,290,887 | 3,444,368 | 3,607,032 | 3,774,972 | 3,971,911 |
| A3. Administrative & General | | | | | |
| Company Management Costs | 24,906,476 | 28,499,816 | 32,627,276 | 37,325,604 | 42,925,717 |
| Admin & general salaries | 15,938,378 | 18,075,558 | 20,524,418 | 23,304,261 | 26,629,404 |
| Office supplies & expenses | 4,018,762 | 4,358,473 | 4,721,263 | 5,102,709 | 5,536,166 |
| Information technology (admin & general) | 6,756,769 | 13,895,507 | 17,045,025 | 17,726,826 | 20,329,136 |
| Outside services employed | 24,812,491 | 28,296,489 | 32,289,833 | 36,825,269 | 42,224,842 |
| Property insurance | 3,264,163 | 3,564,391 | 3,894,153 | 4,251,411 | 4,665,979 |
| Injuries & damages | 79,614 | 82,818 | 86,193 | 89,641 | 93,718 |
| Employee pension & benefits | 7,573,056 | 8,665,646 | 9,920,640 | 11,349,212 | 13,051,981 |
| Regulatory liaison & compliance | 2,765,401 | 2,955,425 | 3,165,977 | 3,395,714 | 3,669,387 |
| Rents | 451,850 | 517,040 | 591,920 | 677,156 | 778,753 |
| Maintenance of office & general plant | 3,883,638 | 4,155,112 | 4,381,839 | 4,557,113 | 4,764,396 |
| Officers allowance & benefits | 7,942,439 | 8,262,110 | 8,598,784 | 8,942,735 | 9,349,501 |
| Travel | 2,450,198 | 2,655,821 | 2,875,402 | 3,106,233 | 3,368,605 |
| Training | 5,717,129 | 6,196,915 | 6,709,272 | 7,247,877 | 7,860,079 |
| Water and Electricity | 55,662 | 59,845 | 64,346 | 69,106 | 74,582 |
| Miscellaneous | 4,379,221 | 4,555,478 | 4,741,110 | 4,930,755 | 5,155,033 |
| WESM compliance (applicable to Regulated Distribution Services) | | | | | |
| Market fees | | | | | |
| Registration fees | | | | | |
| Metering fees | | | | | |
| Billing & settlement fees | | | | | |
| Administration fees | | | | | |
| Costs for the PEM board, committees & working groups | | | | | |
| Market management software & upgrades | | | | | |
| Provision and maintenance of security | | | | | |
| Subtotal A | 297,849,497 | 335,028,693 | 371,584,776 | 409,020,296 | 454,951,243 |

| Opex Category and Sub-category | Nominal PhP | | | | |
|---|------------------|------------------|------------------|------------------|------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| B DISTRIBUTION CONNECTION SERVICES | | | | | |
| B1. Connection Services: Operation | | | | | |
| Operation supervision & engineering | | | | | |
| Contractor services | | | | | |
| Structures | | | | | |
| Substations | | | | | |
| Overhead connections & devices | | | | | |
| Underground cables & devices | | | | | |
| Consumer installations | 3,666,973 | 3,942,569 | 4,239,040 | 4,552,656 | 4,913,401 |
| Information technology (connection assets) | | | | | |
| Miscellaneous | | | | | |
| B2. Connection Services: Maintenance | | | | | |
| Maintenance supervision & engineering | | | | | |
| Contractor services | | | | | |
| Structures | | | | | |
| Substations | | | | | |
| Overhead connections & devices | | | | | |
| Underground cables & devices | | | | | |
| Consumer installations | | | | | |
| Distribution transformers | | | | | |
| Information technology (connection assets) | | | | | |
| Miscellaneous | | | | | |
| B3. Administrative & General | | | | | |
| Admin & general salaries | | | | | |
| Office supplies & expenses | | | | | |
| Information technology (admin & general) | | | | | |
| Outside services employed | | | | | |
| Property insurance | | | | | |
| Injuries & damages | | | | | |
| Employee pension & benefits | | | | | |
| Regulatory liaison & compliance | | | | | |
| Rents | | | | | |
| Maintenance of office & general plant | | | | | |
| Officers allowance & benefits | | | | | |
| Travel | | | | | |
| Training | | | | | |
| Water and Electricity | | | | | |
| Subtotal B | 3,666,973 | 3,942,569 | 4,239,040 | 4,552,656 | 4,913,401 |
| C REGULATED RETAIL SERVICES | | | | | |
| Administration and General Salaries | 2,554,947 | 2,889,388 | 3,272,280 | 3,706,505 | 4,226,545 |
| Office supplies & expenses | 2,333,117 | 2,659,518 | 3,009,859 | 3,381,899 | 3,798,819 |
| Outside services employed | 7,297,502 | 7,910,549 | 8,565,219 | 9,253,446 | 10,035,686 |
| Property insurance | | | | | |
| Injuries & damages | 800,501 | 915,992 | 1,048,650 | 1,199,656 | 1,379,645 |
| Employee pension & benefits | | | | | |
| Regulatory liaison & compliance | 638,737 | 722,347 | 818,070 | 926,626 | 1,056,636 |
| Rents | | | | | |
| Maintenance of office & general plant | 8,221 | 13,616 | 15,843 | 16,477 | 17,226 |
| Officers allowance & benefit | | | | | |
| Travel | 200,125 | 228,998 | 262,163 | 299,914 | 344,911 |
| Training | | | | | |

| Opex Category and Sub-category | Nominal PhP | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Water and Electricity Planning, installation and maintenance of consumer metering installations | | | | | |
| Consumer Meter Reading Expenses | 7,739,973 | 8,390,192 | 9,084,557 | 9,814,513 | 10,644,182 |
| Information technology (retail related) Consumer Records, Billing and Collection Expenses | 2,554,947 | 2,889,388 | 3,272,280 | 3,706,505 | 4,226,545 |
| Bad debts | 9,343,958 | 11,357,635 | 12,061,350 | 12,803,981 | 13,646,784 |
| Information and Instructional Advertising Expenses | 207,044 | 215,377 | 224,153 | 233,120 | 243,723 |
| Energy trading expenses (excluding energy purchases) | 1,021,274 | 1,062,378 | 1,105,669 | 1,149,896 | 1,202,200 |
| Miscellaneous consumer services expenses | 800,501 | 915,992 | 1,048,650 | 1,199,656 | 1,379,645 |
| Subtotal C | 35,500,846 | 40,171,371 | 43,788,743 | 47,692,192 | 52,202,548 |
| TOTAL | 337,017,316 | 379,142,632 | 419,612,558 | 461,265,144 | 512,067,192 |

- 11a. The above-mentioned proposed Operating and Maintenance expenditures are increased from current levels as a result of increased inputs required to service the growing customer and asset base, improvement in service performance, as well as addressing inflationary pressures.
12. The proposed expenditure on Taxes, Levies & Duties (other than corporate income tax) included in the afore-mentioned calculation of the Annual Revenue Requirement is as demonstrated below:

Table 7. Summary of proposed Taxes, Levies & Duties (other than corporate income tax) expenditure (per Regulatory Year)

| | Nominal PhP | | | | |
|--------------|----------------|------------------|----------------|------------------|------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Levies | - | 3,970,148 | 289,927 | 763,687 | 1,036,707 |
| Duties | - | - | - | - | - |
| Other taxes | 571,391 | 594,389 | 618,610 | 643,354 | 672,618 |
| TOTAL | 571,391 | 4,564,537 | 908,536 | 1,407,041 | 1,709,324 |

- 12a. The above-mentioned proposed taxes, levies & duties (other than corporate income taxes) expenditure are increased from current levels to provide for increased property taxes required by the local government. Also, majority of the increase in the above revenue requirement relates to consultancy fees.

13. The proposed Depreciation included in the afore-mentioned calculation of the Annual Revenue Requirement, including an allowance for assets intended to be disposed of during the Second Regulatory Period after allowing for any potential income from the sales of such disposed assets, is as demonstrated below. These values include depreciation on the Applicant's Regulatory Asset Base as at the start of the Second Regulatory Period, as well as depreciation on those assets proposed to be acquired during the Second Regulatory Period.

Table 8. Summary of proposed Depreciation (per Regulatory Year)

| ITEM | NOMINAL PESO | | | | |
|---|--------------|------------|------------|------------|------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| AREGULATED DISTRIBUTION SERVICES ASSETS | | | | | |
| A1 Regulated Distribution Services Assets – Network assets | | | | | |
| Land and Land Rights (Distribution Purposes) | | | | | |
| Structures and Improvements | 408,271 | 408,348 | 408,274 | 408,278 | 408,281 |
| Station Equipment | | | | | |
| Power transformers | 4,979,314 | 4,979,846 | 4,979,326 | 4,979,352 | 4,979,370 |
| Switchgear | 2,676,213 | 2,676,457 | 2,676,220 | 2,676,234 | 2,676,244 |
| Protective equipment | 1,172,304 | 1,180,772 | 1,166,761 | 1,117,900 | 1,117,906 |
| Metering & control equipment | 5,759 | 5,760 | 5,759 | 5,759 | 5,759 |
| Communications equipment | | | | | |
| Other station equipment | 902,577 | 902,708 | 902,581 | 902,588 | 902,593 |
| Poles, Towers and Fixtures | | | | | |
| - Distribution | 26,247,354 | 27,351,170 | 28,985,460 | 30,113,483 | 31,159,704 |
| Overhead Conductors and Devices | | | | | |
| - Distribution | 8,278,719 | 8,627,884 | 9,263,045 | 9,708,431 | 10,039,412 |
| Underground Conduits – Distribution | | | | | |
| Underground Conductors and Devices | | | | | |
| - Distribution | | | | | |
| Distribution Transformers | 18,495,697 | 18,909,983 | 19,708,281 | 20,492,447 | 21,313,126 |
| Power Conditioning Equipment | 807,894 | 851,691 | 940,865 | 1,033,713 | 1,130,533 |
| Meters, Instruments and Metering Transformers - Distribution | | | | | |
| Information technology Equipment (distribution) | | | | | |
| Regulated Entity Property on Consumer's Premises | | | | | |
| Street Lights and Signal Systems | | | | | |
| Submarine Cables | | | | | |

| ITEM | NOMINAL PESO | | | | |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| A2 Regulated Distribution Services Assets – Non-network fixed assets | | | | | |
| Land and Land Rights (non-network) | | | | | |
| Structures and Improvements (non-network) | 803,979 | 804,091 | 803,979 | 803,981 | 803,984 |
| Office Furniture and Equipment | 576,563 | 603,280 | 657,321 | 713,719 | 772,527 |
| Transportation Equipment | 8,803,830 | 9,220,818 | 9,869,436 | 11,288,218 | 11,182,447 |
| Stores Equipment | 6,824 | | | | |
| Tools, Shop and Garage Equipment | 66,760 | 66,788 | 66,759 | 66,761 | 66,762 |
| Laboratory Equipment | 112,760 | 112,774 | 112,760 | 112,761 | 112,762 |
| Information Systems Equipment (non-network) | 894,845 | 148,741 | | | |
| Power-operated Equipment | | | | | |
| Communication Plant and Equipment | 871,558 | 898,121 | 952,318 | 1,008,707 | 1,057,502 |
| Miscellaneous Equipment | 723,633 | 755,774 | 820,549 | 888,234 | 958,808 |
| A3 Regulated Distribution Services Assets – Materials and supplies (including spares) | | | | | |
| A4 Regulated Distribution Services Assets – Transferred Subtransmission Assets | | | | | |
| Subtotal A | 76,834,855 | 78,505,006 | 82,319,697 | 86,320,566 | 88,687,720 |
| B DISTRIBUTION CONNECTION SERVICES ASSETS | | | | | |
| B1 Distribution Connection Services Assets – Network assets | | | | | |
| Poles, Towers and Fixtures (Customer) | | | | | |
| Overhead Conductors and Devices (Customer) | 4,131,862 | 4,174,986 | 4,293,340 | 4,422,964 | 4,552,950 |
| Underground Conduits (Customer) | | | | | |
| Underground Conductors and Devices (Customer) | | | | | |
| Distribution Transformers (Customer) | | | | | |
| Information technology Equipment (Connection) | | | | | |

| ITEM | NOMINAL PESO | | | | |
|---|-------------------|-------------------|--------------------|--------------------|--------------------|
| | 2011 | 2012 | 2013 | 2014 | 2015 |
| Depreciation Category | | | | | |
| B2 Distribution Connection Services Assets – Non-network fixed assets | | | | | |
| Land and Land Rights (non-network) | | | | | |
| Structures and Improvements (non-network) | | | | | |
| Office Furniture and Equipment | | | | | |
| Transportation Equipment | | | | | |
| Stores Equipment | | | | | |
| Tools, Shop and Garage Equipment | | | | | |
| Laboratory Equipment | | | | | |
| Information Systems Equipment (non-network) | | | | | |
| Power-operated Equipment | | | | | |
| Communication Plant and Equipment | | | | | |
| Miscellaneous Equipment | | | | | |
| B3 Distribution Connection Services Assets – Materials and supplies (including spares) | | | | | |
| Subtotal B | 4,131,862 | 4,174,986 | 4,293,340 | 4,422,964 | 4,552,950 |
| C REGULATED RETAIL SERVICES ASSETS | | | | | |
| C Regulated Retail Services Assets | | | | | |
| Meters, Instruments & Metering Transformers (Consumer Consumption Metering) | 12,945,117 | 13,509,213 | 14,335,991 | 14,833,101 | 15,341,073 |
| Land and land rights | | | | | |
| Structures and improvements | | | | | |
| Office Furniture and Equipment | | | | | |
| Transportation Equipment | | | | | |
| Stores Equipment | | | | | |
| Tools, Shop and Garage Equipment | | | | | |
| Laboratory Equipment | | | | | |
| Information Systems Equipment | | | | | |
| Communication Plant and Equipment | | | | | |
| Miscellaneous Equipment | | | | | |
| Subtotal C | 12,945,117 | 13,509,213 | 14,335,991 | 14,833,101 | 15,341,073 |
| TOTAL | 93,911,833 | 96,189,205 | 100,949,028 | 105,576,632 | 108,581,743 |

- 13a. The afore-mentioned depreciation is calculated on a straight-line basis, based on the standard asset lives approved by the Commission where these are available.
14. For the Second Regulatory Period, no Corporate Income Tax will be included in the afore-mentioned calculation of the Annual Revenue Requirement.
15. Forecast sales of energy, including sales to Applicant itself, is forecast as follows:

Table 9. Summary of forecast energy consumption (per Regulatory Year)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--------------------------|---------|---------|---------|---------|---------|
| Energy consumption (MWh) | 453,970 | 470,752 | 488,290 | 506,609 | 525,350 |

16. The estimates of the afore-mentioned energy sales are based on the following forecast co-incident, annual, sustained peak demand on the whole distribution network:

Table 10. Summary of forecast peak demand (per Regulatory Year)

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|-------------|--------|---------|---------|---------|---------|
| Demand (MW) | 97,114 | 100,567 | 104,222 | 107,800 | 111,468 |

17. The estimated price-path for the Second Regulatory Period that was determined using the afore-mentioned proposed Allowed Annual Revenue and an assumed -0.1342 X-factor and zero P₀-factor is demonstrated below:

Table 11. Assumed Maximum Annual Prices for the Second Regulatory Period

| | 2012 Regulatory year | 2013 Regulatory year | 2014 Regulatory year | 2015 Regulatory year |
|--------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Maximum Annual Price (PhP/kWh) | 1.4038 | 1.6484 | 1.9355 | 2.2886 |

- 17a. The Applicant recognizes that the Commission will determine the actual X-factor and P₀-factor after its consideration of this application for Allowed Annual Revenue and will determine the actual price-path for the Second Regulatory Period after incorporating such amendments to these proposals as the Commission deems necessary. As part of its consideration the Commission may also amend one or more of the parameters on

which the calculations of the Allowed Annual Revenue are based. The actual approved price path is therefore likely to differ from that estimated above.

18. Since the Maximum Average Prices calculated under Performance-Based Regulation are not directly comparable with unbundled rates, for illustrative purposes, the Applicant has prepared a comparison of its current rates for providing distribution wheeling services with those that would result from the implementation of the afore-mentioned estimated Maximum Annual Prices. This is presented below:

Table 12. Comparison of estimated rates with current rates (illustrative only)

| | Current Rates | Illustrative Rates (2012) | Illustrative Rates (2013) | Illustrative Rates (2014) | Illustrative Rates (2015) |
|---|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Customer Class | | | | | |
| Residential/Commercial | | | | | |
| with No Demand | | | | | |
| Distribution (PhP/kWh) | 1.2225 | 1.7985 | 1.9341 | 2.0682 | 2.2012 |
| Supply (PhP/kWh) | 0.1186 | 0.1745 | 0.1876 | 0.2006 | 0.2135 |
| Metering (PhP/kWh) | 0.2774 | 0.4081 | 0.4389 | 0.4693 | 0.4995 |
| Metering (PhP/customer/month) | 5 | 5.0000 | 5.0000 | 5.0000 | 5.0000 |
| Total PhP/kWh | p/kwhr | 2.3811 | 2.5606 | 2.7382 | 2.9142 |
| Total PhP/customer/month | p/cu | 5.0000 | 5.0000 | 5.0000 | 5.0000 |
| Average PhP/kWh distribution wheeling rate | 1.6475 | 2.4059 | 2.5856 | 2.7633 | 2.9395 |
| Commercial with Demand | | | | | |
| Distribution (PhP/kWh) | 0.6247 | 0.9190 | 0.9883 | 1.0569 | 1.1248 |
| Distribution (PhP/kW) | 199.83 | 293.9795 | 316.1439 | 338.0712 | 359.8045 |
| Supply (PhP/customer/month) | 22.78 | 33.5128 | 36.0394 | 38.5391 | 41.0166 |
| Metering (PhP/customer/month) | 54.21 | 79.7509 | 85.7637 | 91.7121 | 97.6080 |
| Total PhP/kWh | PhP/kWh | 0.9190 | 0.9883 | 1.0569 | 1.1248 |
| Total PhP/kw | Php/kw | 293.9795 | 316.1439 | 338.0712 | 359.8045 |
| Total PhP/customer/month | PhP/customer/month | 113.2637 | 121.8031 | 130.2512 | 138.6246 |
| Average PhP/kWh distribution wheeling rate | 1.3698 | 1.9392 | 2.0852 | 2.2297 | 2.3728 |
| 13800 Industrial | | | | | |
| Distribution (PhP/kWh) | 0.3281 | 0.4827 | 0.5191 | 0.5551 | 0.5908 |
| Distribution (PhP/kW) | 109.9 | 161.6792 | 173.8689 | 185.9281 | 197.8808 |
| Supply (PhP/customer/month) | 25.66 | 37.7497 | 40.5958 | 43.4114 | 46.2022 |
| Metering (PhP/customer/month) | 157.88 | 232.2649 | 249.7763 | 267.1004 | 284.2713 |
| Total PhP/kWh | PhP/kWh | 0.4827 | 0.5191 | 0.5551 | 0.5908 |
| Total PhP/kW | PhP/kW | 161.6792 | 173.8689 | 185.9281 | 197.8808 |
| Total PhP/customer/month | PhP/customer/month | 270.0145 | 290.3721 | 310.5118 | 330.4735 |
| Average PhP/kWh distribution wheeling rate | 0.5935 | 0.9859 | 1.0602 | 1.1337 | 1.2066 |

| | Current Rates | Illustrative Rates (2012) | Illustrative Rates (2013) | Illustrative Rates (2014) | Illustrative Rates (2015) |
|---|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| 13800 Industrial – 2.5 MW | | | | | |
| Distribution (PhP/kWh) | 0.3565 | 0.5245 | 0.5640 | 0.6031 | 0.6419 |
| Distribution (PhP/kW) | 109.9 | 161.6792 | 173.8689 | 185.9281 | 197.8808 |
| Supply (PhP/customer/month) | 26.57 | 39.0884 | 42.0354 | 44.9510 | 47.8407 |
| Metering (PhP/customer/month) | 163.52 | 240.5622 | 258.6991 | 276.6421 | 294.4264 |
| Total PhP/kWh | PhP/kWh | 0.5245 | 0.5640 | 0.6031 | 0.6419 |
| Total PhP/kW | PhP/kW | 161.6792 | 173.8689 | 185.9281 | 197.8808 |
| Total PhP/customer/month | PhP/customer/month | 279.6506 | 300.7346 | 321.5931 | 342.2671 |
| Average PhP/kWh distribution wheeling rate | 0.6968 | 1.1934 | 1.2729 | 1.3502 | 1.4255 |
| 69 kV | | | | | |
| Distribution (PhP/kW) | 82.6100 | 121.5316 | 130.6943 | 139.7591 | 148.7437 |
| Supply (PhP/customer/month) | 26.5700 | 39.0884 | 42.0354 | 44.9510 | 47.8407 |
| Metering (PhP/customer/month) | 138.8100 | 204.2101 | 219.6063 | 234.8379 | 249.9347 |
| Total PhP/kW | PhP/kW | 121.532 | 130.694 | 139.759 | 148.744 |
| Total PhP/customer/month | PhP/customer/month | 243.298 | 261.642 | 279.789 | 297.775 |
| Average PhP/kWh distribution wheeling rate | 0.1639 | 0.1965 | 0.2082 | 0.2194 | 0.2300 |
| Streetlights | | | | | |
| Distribution (PhP/kWh) | 1.2658 | 1.8622 | 2.0026 | 2.1415 | 2.2791 |
| Supply (PhP/customer/month) | 24.0900 | 35.4400 | 38.1119 | 40.7553 | 43.3753 |
| Total PhP/kWh | PhP/kWh | 1.8622 | 2.0026 | 2.1415 | 2.2791 |
| Total PhP/customer/month | PhP/customer/month | 35.4400 | 38.1119 | 40.7553 | 43.3753 |
| Average PhP/kWh distribution wheeling rate | 1.2788 | 1.8633 | 2.0037 | 2.1427 | 2.2805 |

19. The Applicant proposes to adopt a Price-Linked Performance Incentive Scheme as required in terms of the RDWR. According to this Performance Incentive Scheme the Applicant will be rewarded if the service performance levels of its electricity distribution business exceed the target levels proposed below, and will be penalized if the service performance level of its electricity distribution business falls below the proposed targets. This reward or penalty will be directly incorporated into the Maximum Annual Prices from the second year of the Second Regulatory Period onward. The proposed Price-linked Performance Incentive Scheme is based on the performance measures and performance targets demonstrated below. Stepped performance target levels are proposed, which will influence the size of the reward or penalty.

Table 13. Summary of proposed Price-linked Performance Incentive Scheme

| Performance index | Units | Weight | Reward | | Target | Penalty | |
|--|---------|--------|---------|---------|---------|---------|---------|
| | | | Level A | Level B | Level C | Level D | Level E |
| System average interruption frequency index (SAIFI) | Number | 0.2 | 18.63 | 21.39 | 24.14 | 26.9 | 29.65 |
| Customer average interruption duration index (CAIDI) | Minutes | 0.2 | 23 | 38.87 | 54.74 | 70.6 | 86.47 |
| Planned system average interruption duration index (SAIDI) | Minutes | 0.15 | 19.38 | 234.62 | 449.86 | 665.1 | 880.33 |
| Probability of voltage levels falling within prescribed limits | % | 0.1 | 0.02 | 0.03 | 0.045 | 0.05 | 0.06 |
| System losses | % | 0.05 | 0.07 | 0.075 | 0.085 | | |
| Average time to process applications for Regulated Distribution Services | Days | 0.15 | 6 | 7 | 8 | 9 | 10 |
| Average time to connect premises to the Regulated Distribution System | Days | 0.15 | 3 | 4 | 5 | 6 | 7 |

20. The Applicant proposes to adopt a Guaranteed Service Level Performance Incentive Scheme as required in terms of the RDWR. According to this Guaranteed Service Level scheme, customers will be directly compensated, in the form of reductions in their monthly electricity bills, if service performance falls below certain minimum thresholds. The thresholds and the penalties that will apply are as demonstrated below:

Table 14. Summary of proposed Guaranteed Service Level Incentive Scheme

| Performance Measure | Threshold | Penalty level (PhP) |
|---|-----------|---------------------|
| Customer experiencing a total duration of sustained service interruptions in a Regulatory Year that exceeds the threshold | 20.45 | 100.00 |
| Customer experiencing a number of sustained service interruptions in a Regulatory Year that exceeds the threshold | 22.00 | 100.00 |
| Restoration of supply to a customer after a fault on the secondary distribution network taking longer than the threshold time | 8.00 | 100.00 |
| Customer connection not provided on the day agreed with the customer | 5.00 | 100.00 |

- 20a. The Applicant will be entitled to an additional revenue amount equal to 0.5% of its Annual Revenue Requirement, which is intended to be applied to the Guaranteed Service Level Scheme and can be used to either provide for penalties under the scheme, or for network or operational improvements to avoid such penalties.

21. Applicant will comply with the requirements in Section 4(e), Rule 3 of the Rules and Regulations of Republic Act No. 9136, in relation to Rule 6 of the Commission Rules of Practice and Procedure, prior to the filing of this application with the Commission.
22. In support of this application for the approval of its Allowed Annual Revenue and Performance Incentive Scheme, the Applicant has attached the following required documents as described in the RDWR and the Position Paper:

Table 15. Supporting Information attached

| Schedule | Information provided |
|----------|---|
| A | Regulatory Asset Base |
| A1 | Summary of the optimized depreciated replacement cost (ODRC) and the depreciated historical cost of the Regulatory Asset Base as at the initial valuation date (the Regulatory Asset Base). |
| A2 | Summary of the optimized depreciated replacement cost and the depreciated historical cost of the <u>Original Regulatory Asset Base as at the start of the Second Regulatory Period</u> , with supporting calculations for indexing applied. |
| A3 | Assets forecast to be acquired during the period between the initial valuation date and the start of the Second Regulatory Period. |
| A3.1 | - Schedule of assets to be acquired |
| A3.2 | - Value of the assets to be acquired |
| A3.3 | - Justification for assets to be acquired |
| A5 | Forecast asset disposal during the period between the initial valuation date and the start of the Second Regulatory Period |
| A5.1 | - Schedule of assets to be disposed of |
| A5.2 | - Value of the assets to be disposed of |
| A5.3 | - Forecast income from the sale of disposed assets (5%) |
| A6 | ODRC depreciation schedules for the Regulatory Asset Base for the period between the initial valuation date and the start of the Second Regulatory Period. |
| A6.1 | - Assets included in the Original Regulatory Asset Base |
| A6.2 | - Assets acquired in the lead-up to the Second Regulatory Period |
| A7 | Historical cost depreciation schedules for the Regulatory Asset Base for the period between the initial valuation date and the start of the Second Regulatory Period. |
| A7.1 | - Assets included in the Original Regulatory Asset Base |
| A7.2 | - Assets acquired in the lead-up to the Second Regulatory Period |
| A8 | Application of the construction work in progress (CWIP) factor to the Regulatory Asset Base as at the start of the Second Regulatory Period. |
| A9 | Summary of the optimized depreciated replacement cost (ODRC) and the depreciated historical cost of the full Regulatory Asset Base as at the start of the Second Regulatory Period (the opening value of the rolled-forward Regulatory Asset Base). |

| Schedule | Information provided |
|-----------------|---|
| B | Financial indices forecast for Second Regulatory Period |
| B1 | Philippine quarterly CPI |
| B2 | United States quarterly CPI |
| B3 | PhP/US\$ quarterly exchange rate |
| B4 | 180-Day Manila Reference Rate |
| C | Forecast capital expenditure for the Second Regulatory Period |
| C1 | Summary of capital expenditure forecasts for each year of the Second Regulatory Period (Capex template) |
| C1.1 | - Real values, divided in PhP and US\$ components |
| C1.2 | - Total real values, in PhP |
| C1.3 | - Total nominal values, in PhP |
| C1.4 | - Justification for capital expenditure (major and minor projects) |
| C2 | Broken down historical capital expenditure |
| D | Forecast disposals during the Second Regulatory Period |
| D1 | Value of assets to be disposed of (based on ODRC register) |
| D2 | Forecast income from the sale of disposed assets |
| E | Forecast depreciation during the Second Regulatory Period |
| E1 | Depreciation of the opening asset base |
| E1.1 | - ODRC basis |
| E1.2 | - Historical cost basis |
| E2 | Depreciation of the assets forecast to be acquired during the Second Regulatory Period |
| E2.1 | - ODRC basis |
| E2.2 | - Historical cost basis |
| F | Forecast assets used beyond standard lives (retiring sheet) |
| F1 | Forecast addition to assets used beyond standard lives |
| F2 | Forecast removal from assets used beyond standard lives |
| G | Forecast operating & maintenance expenditure |
| G1 | Summary of forecast operating & maintenance expenditure |
| G1.1 | - Annual expenditure, divided in real PhP and US\$ components |
| G1.2 | - Total annual expenditure, in real PhP |
| G1.3 | - Total annual expenditure, in nominal PhP |
| G1.4 | - Justification for operating & maintenance expenditure forecasts |
| G2 | Historical operating & maintenance expenditure |
| G3 | Summary of expenditure on taxes (other than corporate income tax), duties and levies |
| G3.1 | - Annual expenditure, in real PhP |
| G3.2 | - Annual expenditure, in nominal PhP |
| G3.3 | - Justification for expenditure |
| G3.4 | - Historical taxes, levies & duties |
| | - |

| Schedule | Information provided |
|-----------------|--|
| H | Forecast energy consumption and demand |
| H1 | Forecast energy consumption figures (kWh) |
| H1.1 | - Breakdown of consumption figures into customer classes |
| H1.2 | - Supporting evidence |
| H2 | Forecast energy demand figures (MW) |
| H2.1 | - Breakdown of demand figures into customer classes |
| H2.2 | - Supporting evidence |
| H3 | Forecast customer numbers, per customer class |
| I | Performance incentive scheme details |
| I1 | Price-linked incentive scheme |
| I1.1 | - Details of scheme proposed |
| I1.2 | - Proposed target levels |
| I1.3 | - Supporting information & calculations |
| I2 | Guaranteed service level scheme |
| I2.1 | - Details of scheme proposed |
| I2.2 | - Proposed target levels |
| I2.3 | - Proposed penalty levels* |
| I2.4 | - Supporting information & calculations |
| J | Additional information for price-cap model |
| J1 | Contact details for input sheets |
| J2 | 2010 Calendar year billing & consumption data (estimate) |
| J3 | Related business revenue for 2010 calendar year (estimate) |
| J4 | Tax losses carried forward from 2010 and 2011 regulatory years (estimate) |
| K | Detailed calculations for Second Regulatory Period |
| | Rolled forward regulatory asset base |
| | Annual revenue requirement |
| | Corporate income tax forecasts |
| | Forecast price-caps for the opening and subsequent years of the Second Regulatory Period |
| L | Calculation of demonstrative unbundled rates |

23. Applicant most respectfully requests for approval of this application to allow it to fulfill its obligations under Performance Based-Regulation and in order to 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, San Fernando Electric Light and Power Co., Inc. prays, after due notice and hearing and consideration, that the Application be approved and that a final authority be issued to Applicant authorizing it to adopt the above Annual Revenue Requirements and Performance Incentive Scheme.

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

Pasig City, Philippines, September 22, 2010.

THE LAW FIRM
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- by -

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