

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- 117 RC**

**Bohol Light Company, Inc. (BLCI)**

Applicant.

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**APPLICATION**

COMES NOW, applicant Bohol Light Company, Inc. (BLCI) 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 R. Enerio St., Poblacion III, Tagbilaran City, where it may be served with summons and other legal processes, represented in this instance by its General Manager, Engr. Eulogio M. Signe, of legal age, Filipino, married and with office address also at R. Enerio St., Poblacion III, Tagbilaran City. Herein applicant is the exclusive franchise holder issued by the National Electrification Commission to operate an electric light and power services in the City of Tagbilaran in the Province of Bohol.
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, P<sub>0</sub>-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	35,908,817	39,615,888	43,747,177	48,830,319
Taxes, levies & duties (other than corporate tax)	3,173,592	3,344,229	3,742,975	4,153,566
Regulatory depreciation	17,592,748	18,197,635	19,416,589	21,242,055
Return on capital	59,568,593	61,208,632	65,922,029	70,355,899
<b>TOTAL REVENUE REQUIREMENT</b>	<b>116,243,751</b>	<b>122,366,384</b>	<b>132,828,770</b>	<b>144,581,838</b>

Note: All values are in nominal terms.

The meaning and application of these parameters are as described in the afore-mentioned 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	393,331,169	395,732,535	414,683,199	457,990,898
Plus Capital Expenditure	19,936,290	37,122,174	62,657,368	36,248,764
Minus Regulatory Depreciation on Asset Base at start of Second Regulatory Period	17,129,602	16,827,860	16,658,663	16,417,524
Minus Regulatory Depreciation on Capital Expenditure incurred during the Second Regulatory Period	463,146	1,369,775	2,757,926	4,824,531
Plus assets used over reg. lives	57,825	26,125	66,920	87,761
Closing value of RAB	395,732,535	414,683,199	457,990,898	473,085,368
<b>AVERAGE VALUE OF RAB</b>	<b>394,531,852</b>	<b>405,207,867</b>	<b>436,337,048</b>	<b>465,538,133</b>

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)	9/2/2010	For substation projects : 4.20% For other projects : 2.98%
P <sub>0</sub> -factor		0 PhP/kWh
X-factor		(0.0773)
Valuation of the applicant’s regulatory asset base as at June 30, 2009		PhP 340,227,898
Working-capital proportion		6.85%

The meaning and application of these parameters are as described in the afore-mentioned 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		4.17%	4.07%	4.00%	4.00%	4.82%
Data source :	ERC Expenditure Forecast Templates					

**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		1.37%	1.75%	2.35%	2.72%	2.80%
Data source :	ERC Expenditure Forecast Templates					

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

Quarter ending	2010	2011	2012	2013	2014	2015
Calendar Year	47.80	47.30	46.90	46.70	46.50	46.50
Regulatory Year		47.73	47.00	46.75	46.55	46.50
Data source :	ERC Expenditure Forecast Templates					

- 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 afore-mentioned 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 Capex Category	NOMINAL PESO				
	2011	2012	2013	2014	2015
<b>A REGULATED DISTRIBUTION SERVICES ASSETS</b>					
<b>A1 Regulated Distribution Services Assets – Network assets</b>					
Land and Land Rights - Distribution			10,227,443		-
Structures and Improvements			1,603,221	431,211	210,385
Station Equipment					
Power transformers				30,260,428	
Switchgear				5,575,045	
Protective equipment				1,474,839	
Metering & control equipment				2,535,275	
Communications equipment				-	
Other station equipment				3,357,451	
Poles, Towers and Fixtures-Distbn	2,032,991	1,560,432	1,538,603	1,204,621	1,821,431
Overhead Conductors & Devices-Distbn	3,229,952	3,703,563	1,961,056	840,754	3,154,137
Underground Conduits – Distribution					
Underground Conductors and Devices - Distribution					
Distribution Transformers	2,647,473	2,891,731	3,160,045	3,450,769	3,788,102
Power Conditioning Equipment	214,580	765,566	808,958	279,687	307,030
Meters, Instruments and	283,499	309,655	338,388	369,518	405,643
Metering Transformers - Distribution		-	-	-	
Information technology Equipment (distribution)					6,732,319
Regulated Entity Property on Consumer's Premises					
<b>A2 Regulated Distribution Services Assets – Non-network fixed assets</b>					
Land and Land Rights					
Structures and Improvements	153,191	-	5,528,347	-	-
Office Furniture and Equipment	20,425	5,099	483,578	-	164,701
Transportation Equipment	214,467	245,967	829,252	279,541	6,345,812

Stores Equipment					
Tools, Shop and Garage Equipment	162,508	595,065	2,764	12,474	440,059
Laboratory Equipment	919,146	13,598	23,551	-	476,432
Information Systems Equipment	408,663	327,000	349,060	325,076	633,143
Power-operated Equipment					
Communication Plant and Equipment	20,425	63,743	22,113	22,998	84,154
Miscellaneous Equipment					
<b>A3 Regulated Distribution Services Assets – Materials and supplies (including spares)</b>	929,063	1,534,115	1,663,761	2,866,097	1,347,156
<b>A4 Regulated Distribution Services Assets – Transferred Subtransmission Assets</b>					
<b>Subtotal A</b>	<b>11,236,385</b>	<b>12,015,534</b>	<b>28,540,139</b>	<b>53,285,785</b>	<b>25,910,505</b>
<b>B1 Distribution Connection Services Assets – Network assets</b>					
Poles, Towers and Fixtures -Customer	152,405	166,466	181,911	198,647	218,067
Overhead Conductors & Devices-Customer	772,072	843,304	921,552	1,006,334	1,104,709
Distribution Transformers-Customer	3,386,458	3,698,896	4,042,104	4,413,977	4,845,512
<b>Subtotal B</b>	<b>4,310,934</b>	<b>4,708,666</b>	<b>5,145,567</b>	<b>5,618,959</b>	<b>6,168,288</b>
<b>C REGULATED RETAIL SERVICES ASSETS</b>					
<b>C Regulated Retail Services Assets</b>					
Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	2,879,057	3,144,682	3,436,468	3,752,624	4,119,479
Land and land rights					
Structures and improvements					
Office Furniture and Equipment	24,511				20,437
Transportation Equipment					
Stores Equipment					
Tools, Shop and Garage Equipment	6,360	25,497			30,055
Laboratory Equipment					
Information Systems Equipment	70,468	41,911			
Communication Plant and Equipment					
Miscellaneous Equipment					
<b>Subtotal C</b>	<b>2,980,396</b>	<b>3,212,089</b>	<b>3,436,468</b>	<b>3,752,624</b>	<b>4,169,971</b>
<b>TOTAL</b>	<b>18,527,716</b>	<b>19,936,290</b>	<b>37,122,174</b>	<b>62,657,368</b>	<b>36,248,764</b>

10a. The above-mentioned proposed Capital Expenditure is increased from current levels for the following reasons: The increases 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)**

ITEM	NOMINAL PESO				
	2011	2012	2013	2014	2015
<b>Opex Category and Sub Category</b>					
<b>A REGULATED DISTRIBUTION SERVICES</b>					
<b>A1. Distribution: Operation</b>					
Operation supervision & engineering	501,260	560,694	627,668	702,338	794,028
Contractor services	252,574	275,877	301,474	329,210	361,394
Load dispatching	1,375,617	1,470,626	1,642,393	1,833,689	2,074,009
Structures	1,621	1,770	7,514	2,112	2,319
Substations	633,351	688,270	764,768	849,751	961,817
Overhead conductors & devices	2,197,871	2,378,391	2,628,673	2,917,143	3,277,740
Underground cables & devices					
Streetlighting and signal systems					
Metering (distribution network)					
Rents					
Information technology (distribution network)	4,458	4,869	5,321	5,810	6,378
Miscellaneous	12,702	13,876	15,162	16,557	18,177
<b>A2. Distribution: Maintenance</b>					
Maintenance supervision & engineering	633,754	695,683	774,343	861,827	975,303
Contractor services	53,617	58,564	63,998	69,885	76,717
Structures					
Substations	1,100,013	1,197,210	1,327,049	1,471,032	1,661,718
Overhead lines & Devices	2,976,636	3,237,065	3,556,586	3,906,341	4,341,667
Underground cables & devices					
Streetlighting and signal systems					
Distribution transformers	588,095	622,587	684,122	751,990	846,618
Information technology (distribution network)	3,084	3,369	3,681	4,019	4,413
Metering (distribution network)	659,482	719,413	797,132	882,839	988,819
Miscellaneous	68,830	75,181	82,156	89,715	98,487
<b>A3. Administrative &amp; General</b>					
Admin & general salaries	3,571,840	3,936,238	4,424,367	4,969,449	5,611,126
Office supplies & expenses	546,673	597,113	652,515	712,548	782,206
Information technology (admin & general)	75,169	82,104	89,721	97,976	107,555
Outside services employed	2,871,898	3,136,862	3,427,921	3,743,290	4,109,233
Property insurance	548,520	601,833	661,976	724,345	795,157
Injuries & damages	21,447	23,425	25,599	27,954	30,687
Employee pension & benefits	2,145,768	2,351,162	2,602,765	2,881,566	3,250,473
Regulatory liaison & compliance	765,955	796,784	829,252	862,422	901,650
Rents	517,787	549,427	583,616	619,848	662,188
Maintenance of office & general plant	125,366	136,933	149,638	163,405	179,380
Officers allowance & benefits	952,665	1,040,558	1,137,108	1,241,722	1,363,113

Travel	1,028,429	1,123,313	1,227,542	1,340,476	1,471,520
Training	340,775	372,526	407,092	479,041	525,872
Water and Electricity	1,134,962	1,239,675	1,354,700	1,479,332	1,623,952
Miscellaneous	400,562	437,517	478,109	522,092	573,066
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					
<b>Subtotal A</b>	<b>26,110,778</b>	<b>28,428,912</b>	<b>31,333,960</b>	<b>34,559,724</b>	<b>38,476,781</b>
<b>B DISTRIBUTION CONNECTION SERVICES</b>					
<b>B1. Connection Services: Operation</b>					
Operation supervision & engineering					
Contractor services					
Structures					
Substations					
Overhead connections & devices					
Underground cables & devices					
Consumer installations					
Information technology (connection assets)					
Miscellaneous					
<b>B2. Connection Services: Maintenance</b>					
Maintenance supervision & engineering					
Contractor services					
Structures					
Substations					
Overhead connections & devices					
Underground cables & devices					
Consumer installations	539,289	583,257	650,007	721,325	805,253
Distribution transformers	58,792	64,215	70,174	76,630	84,122
Information technology (connection assets)	2,503	2,734	2,988	3,262	3,581
Miscellaneous					
<b>B3. Administrative &amp; General</b>					
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					
<b>Subtotal B</b>	<b>600,583</b>	<b>650,206</b>	<b>723,168</b>	<b>801,217</b>	<b>892,955</b>
<b>C REGULATED RETAIL SERVICES</b>					

Administration and General Salaries	351,524	371,895	421,805	461,093	527,970
Office supplies & expenses					
Outside services employed					
Property insurance					
Injuries & damages					
Employee pension & benefits					
Regulatory liaison & compliance					
Rents					
Maintenance of office & general plant					
Officers allowance & benefit					
Travel					
Training					
Water and Electricity					
Planning, installation and maintenance of consumer metering installations	558,640	586,782	648,904	717,305	807,012
Consumer Meter Reading Expenses	936,376	1,030,126	1,123,885	1,244,046	1,405,094
Information technology (retail related)	6,542	7,145	7,808	8,527	9,360
Consumer Records, Billing and Collection Expenses	2,389,658	2,600,202	2,881,466	3,193,383	3,602,053
Bad debts	76,596	79,678	82,925	86,242	90,165
Information and Instructional Advertising Expenses	1,241,792	1,344,656	1,482,317	1,633,529	1,817,795
Energy trading expenses (excluding energy purchases)	304,176	342,062	366,047	407,805	459,664
Miscellaneous consumer services expenses	408,753	467,152	543,602	634,304	741,469
<b>Subtotal C</b>	<b>6,274,058</b>	<b>6,829,700</b>	<b>7,558,760</b>	<b>8,386,235</b>	<b>9,460,582</b>
<b>TOTAL</b>	<b>32,985,419</b>	<b>35,908,817</b>	<b>39,615,888</b>	<b>43,747,177</b>	<b>48,830,319</b>

11a. The above-mentioned proposed Operating and Maintenance expenditures are increased from current levels for the following reasons: The proposed increase in operating and maintenance expenditure is as a result of increased inputs required to service the growing asset base and of 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		169,790	53,790	143,632	192,339
Duties	136,851	142,359	148,160	154,086	161,095
Other taxes	2,620,892	2,861,444	3,142,279	3,445,257	3,800,132
<b>TOTAL</b>	<b>2,757,743</b>	<b>3,173,592</b>	<b>3,344,229</b>	<b>3,742,975</b>	<b>4,153,566</b>

- 12a. The above-mentioned proposed taxes, levies & duties (other than corporate income taxes) expenditure are increased from current levels for the following reasons: The taxes, levies and duties (other than corporate income tax) figure include provision for increased property taxes required by local councils and increase in assets subject to taxes and permits.
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 Depreciation Category	REAL PESO				
	2011	2012	2013	2014	2015
<b>A REGULATED DISTRIBUTION SERVICES ASSETS</b>					
<b>A1 Regulated Distribution Services Assets – Network assets</b>					
Land and Land Rights (Distribution Purposes)					
Structures and Improvements	61,776	61,776	81,915	115,318	125,040
Station Equipment					
Power transformers	2,293,264	2,392,175	2,392,175	2,913,998	3,644,550
Switchgear	727,624	727,624	727,624	727,624	727,624
Protective equipment	821,512	821,512	821,512	821,512	821,512
Metering & control equipment	20,163	20,163	20,163	20,163	20,163
Communications equipment	9,675	12,900	12,900	12,900	137,900
Other station equipment	339,396	339,396	339,396	339,396	339,396
Poles, Towers and Fixtures - Distribution	2,159,099	2,379,876	2,360,942	2,380,942	2,355,758
Overhead Conductors and Devices	1,527,882	1,635,166	1,717,554	1,759,698	1,831,668
Underground Conduits – Distribution					
Underground Conductors & Devices-Distbn					
Distribution Transformers	4,040,809	4,145,957	4,236,768	4,332,119	4,432,238
Power Conditioning Equipment	68,845	73,770	80,277	87,109	94,282
Meters, Instruments and Metering Transformers - Distribution	2,349,242	2,389,588	2,401,716	2,393,806	2,328,310
Information technology Equipment –Distbn					
Regulated Entity Property on Consumer Premises					
<b>A2 Regulated Distribution Services Assets – Non-network fixed assets</b>					
Land and Land Rights					
Structures and Improvements	149,456	150,394	219,838	317,060	317,060
Office Furniture and Equipment	101,566	88,353	120,076	165,929	174,900
Transportation Equipment	319,531	316,716	285,086	380,759	713,983
Stores Equipment					
Tools, Shop and Garage Equipment	77,248	114,460	184,854	184,526	212,493
Laboratory Equipment	131,655	143,972	150,790	149,725	182,750

Information Systems Equipment	434,668	479,249	468,434	455,221	612,850
Power-operated Equipment					
Communication Plant and Equipment	45,589	50,918	55,880	56,252	65,486
Miscellaneous Equipment					
<b>A3 Regulated Distribution Services Assets – Materials and supplies (including spares)</b>					
<b>A4 Regulated Distribution Services Assets – Transferred Subtransmission Assets</b>					
<b>Subtotal A</b>	<b>15,678,999</b>	<b>16,343,966</b>	<b>16,677,900</b>	<b>17,614,057</b>	<b>19,137,963</b>
<b>B1 Distribution Connection Services Assets – Network assets</b>					
Poles, Towers and Fixtures (Customer)		3,192	6,833	10,657	14,672
Overhead Conductors & Devices (Customer)	1,054,618	1,086,255	1,118,255	1,151,855	1,187,136
Distribution Transformers (Customer)		59,325	169,525	286,138	408,120
<b>Subtotal B</b>	<b>1,054,618</b>	<b>1,148,772</b>	<b>1,294,613</b>	<b>1,448,650</b>	<b>1,609,927</b>
<b>C Regulated Retail Services Assets</b>					
Meters, Instruments & Metering Transformers (Consumer Consumption Metering)		84,543	207,172	335,932	471,131
Land and land rights					
Structures and improvements					
Office Furniture and Equipment					1,417
Transportation Equipment					
Stores Equipment					
Tools, Shop and Garage Equipment		2,317	4,800	4,800	8,467
Laboratory Equipment					
Information Systems Equipment		13,150	13,150	13,150	13,150
Communication Plant and Equipment					
Miscellaneous Equipment					
<b>Subtotal C</b>		<b>100,010</b>	<b>225,122</b>	<b>353,882</b>	<b>494,165</b>
<b>TOTAL</b>	<b>16,733,617</b>	<b>17,592,748</b>	<b>18,197,635</b>	<b>19,416,589</b>	<b>21,242,055</b>

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 BLCI itself, is forecast as follows:

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

	2011	2012	2013	2014	2015
<b>Energy consumption (MWh)</b>	100,240	106,314	114,790	124,631	129,096

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
<b>Demand (MW)</b>	18.5	19.6	20.8	22.5	24.4

17. The estimated price-path for the Second Regulatory Period that was determined using the afore-mentioned proposed Allowed Annual Revenue and an assumed zero X-factor and  $P_0$ -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
<b>Maximum Annual Price (PhP/kWh)</b>	0.9241	1.0325	1.1537	1.2985

18. The applicant recognizes that the Commission will determine the actual X-factor and  $P_0$ -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.
19. 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)
<b>Customer Class</b>					
<b>Residential</b>					
Distribution (PhP/kWh)	0.9946	1.1135	1.2587	1.4312	1.5880
Supply (PhP/customer/month)	18.8300	24.9606	29.8145	35.8096	41.3358
Metering (PhP/kWh)	0.2075	0.2394	0.2747	0.3163	0.3538

Metering (PhP/customer/month)	5.0000	5.0000	5.0000	5.0000	5.0000
Total PhP/kWh	1.2021	1.3529	1.5334	1.7475	1.9418
Total PhP/customer/month	23.8300	29.9606	34.8145	40.8096	46.3358
<b>Average PhP/kWh distribution wheeling rate</b>	<b>1.2571</b>	<b>1.4840</b>	<b>1.6776</b>	<b>1.9075</b>	<b>2.1164</b>
<b>Commercial</b>					
Distribution (PhP/kWh)	0.4914	0.5622	0.6112	0.6713	0.7517
Supply (PhP/customer/month)	20.0900	26.5481	31.7106	38.0770	43.9618
Metering (PhP/customer/month)	73.9200	97.6821	116.6773	140.1023	161.7548
Total PhP/kWh	0.4914	0.5622	0.6112	0.6713	0.7517
Total PhP/customer/month	94.0100	124.2302	148.3879	178.1793	205.7166
<b>Average PhP/kWh distribution wheeling rate</b>	<b>0.5852</b>	<b>0.6322</b>	<b>0.6872</b>	<b>0.7548</b>	<b>0.8453</b>
<b>Public Building/St Lights</b>					
Distribution (PhP/kWh)	0.3160	0.3619	0.4245	0.4795	0.5424
Supply (PhP/customer/month)	18.5800	25.0074	30.1688	36.5984	42.6684
Metering (PhP/customer/month)	50.8400	68.4271	82.5501	100.0433	116.7525
Total PhP/kWh	0.3160	0.3619	0.4245	0.4795	0.5424
Total PhP/customer/month	69.4200	93.4345	112.7189	136.6417	159.4209
<b>Average PhP/kWh distribution wheeling rate</b>	<b>0.3736</b>	<b>0.3861</b>	<b>0.4530</b>	<b>0.5116</b>	<b>0.5788</b>
<b>Hospitals/Radio Stations</b>					
Distribution (PhP/kWh)	0.3067	0.2314	0.2967	0.3445	0.4757
Supply (PhP/customer/month)	18.5800	21.1269	25.4874	30.9193	36.0474
Metering (PhP/customer/month)	80.8900	91.9783	110.9622	134.6106	156.9363
Total PhP/kWh	0.3067	0.2314	0.2967	0.3445	0.4757
Total PhP/customer/month	99.4700	113.1052	136.4496	165.5299	192.9837
<b>Average PhP/kWh distribution wheeling rate</b>	<b>0.3467</b>	<b>0.2342</b>	<b>0.3003</b>	<b>0.3487</b>	<b>0.4815</b>

20. 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		AVERAGE	PENALTY	
			LEVEL-A	LEVEL-B	LEVEL-C	LEVEL-D	LEVEL-E
System average interruption frequency index (SAIFI)	Freq	0.2	14.60	17.78	37.40	36.90	40.08
Customer Average Interruption duration index (CAIDI)	Min	0.2	44.99	51.69	91.90	91.87	98.57
Planned system average interruption duration index (planned SAIDI)	Min	0.15	617.09	808.92	1,818.00	1,959.88	2,151.71
Probability of voltage levels falling within prescribe limits	%	0.1	3.54	4.40	10.00	9.60	10.46
System losses	%	0.05	7.47	7.98	8.50		
Average time to process application for Regulated Distribution Services	Days	0.15	1.99	2.31	3.75	4.27	4.59
Average time to connect premises for Regulated Distribution Services	Days	0.15	3.22	3.45	4.50	4.88	5.11

21. 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**

GSL	Performance Measure	Threshold	Penalty Level
1	Customers experiencing a total duration of sustained service interruptions in a Regulatory Year that exceeds the threshold	Maximum duration of 64 hours per Regulatory Year	113.25
2	Customers experiencing a number of sustained service interruptions in a Regulatory Year that exceeds the threshold	Maximum of 64 times per Regulatory Year	113.25
4	Customer connection not provided on the day agreed with the customer	3 days	113.25

- 21a. 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.
22. 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.
23. 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
<b>A</b>	<b>Regulatory Asset Base</b>
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 Original Regulatory Asset Base as at the start of the Second Regulatory Period, 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	<ul style="list-style-type: none"> <li>- Schedule of assets to be acquired</li> <li>- Value of the assets to be acquired</li> <li>- Justification for assets to be acquired</li> </ul>
A3.2	
A3.3	
A5	Forecast asset disposal during the period between the initial valuation date and the start of the Second Regulatory Period.
A5.1	<ul style="list-style-type: none"> <li>- Schedule of assets to be disposed of</li> <li>- Value of the assets to be disposed of</li> <li>- Forecast income from the sale of disposed assets</li> </ul>
A5.2	
A5.3	
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	<ul style="list-style-type: none"> <li>- Assets included in the Original Regulatory Asset Base</li> <li>- Assets acquired in the lead-up to the Second Regulatory Period</li> </ul>
A6.2	
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.

Schedule	Information provided
A7.1 A7.2	<ul style="list-style-type: none"> <li>- Assets included in the Original Regulatory Asset Base</li> <li>- Assets acquired in the lead-up to the Second Regulatory Period</li> </ul>
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).
<b>B</b>	<b>Financial indices forecast for Second Regulatory Period</b>
B1	Philippine quarterly CPI
B2	United States quarterly CPI
B3	PhP/US\$ quarterly exchange rate
B4	180-Day Manila Reference Rate
<b>C</b>	<b>Forecast capital expenditure for the Second Regulatory Period</b>
C1	Summary of capital expenditure forecasts for each year of the Second Regulatory Period
C1.1	<ul style="list-style-type: none"> <li>- Real values, divided in PhP and US\$ components</li> </ul>
C1.2	<ul style="list-style-type: none"> <li>- Total real values, in PhP</li> </ul>
C1.3	<ul style="list-style-type: none"> <li>- Total nominal values, in PhP</li> </ul>
C1.4	<ul style="list-style-type: none"> <li>- Justification for capital expenditure (major and minor projects)</li> </ul>
C2	Broken down historical capital expenditure
<b>D</b>	<b>Forecast disposals during the Second Regulatory Period</b>
D1	Value of assets to be disposed of (based on ODRC register)
D2	Forecast income from the sale of disposed assets
<b>E</b>	<b>Forecast depreciation during the Second Regulatory Period</b>
E1	Depreciation of the opening asset base
E1.1	<ul style="list-style-type: none"> <li>- ODRC basis</li> </ul>
E1.2	<ul style="list-style-type: none"> <li>- Historical cost basis</li> </ul>
E2	Depreciation of the assets forecast to be acquired during the Second Regulatory Period
E2.1	<ul style="list-style-type: none"> <li>- ODRC basis</li> </ul>
E2.2	<ul style="list-style-type: none"> <li>- Historical cost basis</li> </ul>
<b>F</b>	<b>Forecast assets used beyond standard lives</b>
F1	Forecast addition to assets used beyond standard lives
F2	Forecast removal from assets used beyond standard lives
<b>G</b>	<b>Forecast operating &amp; maintenance expenditure</b>
G1	Summary of forecast operating & maintenance expenditure
G1.1	<ul style="list-style-type: none"> <li>- Annual expenditure, divided in real PhP and US\$ components</li> </ul>

Schedule	Information provided
G1.2 G1.3 G1.4	<ul style="list-style-type: none"> <li>- Total annual expenditure, in real PhP</li> <li>- Total annual expenditure, in nominal PhP</li> <li>- Justification for operating &amp; maintenance expenditure forecasts</li> </ul>
G2	Historical operating & maintenance expenditure
G3	Summary of expenditure on taxes (other than corporate income tax), duties and levies
G3.1 G3.2 G3.3 G3.4	<ul style="list-style-type: none"> <li>- Annual expenditure, in real PhP</li> <li>- Annual expenditure, in nominal PhP</li> <li>- Justification for expenditure</li> <li>- Historical taxes, levies &amp; duties</li> </ul>
<b>H</b>	<b>Forecast energy consumption and demand</b>
H1	Forecast energy consumption figures (kWh)
H1.1 H1.2	<ul style="list-style-type: none"> <li>- Breakdown of consumption figures into customer classes</li> <li>- Supporting evidence</li> </ul>
H2	Forecast energy demand figures (MW)
H2.1 H2.2	<ul style="list-style-type: none"> <li>- Breakdown of demand figures into customer classes</li> <li>- Supporting evidence</li> </ul>
H3	Forecast customer numbers, per customer class
<b>I</b>	<b>Performance incentive scheme details</b>
I1	Price-linked incentive scheme
I1.1 I1.2 I1.3	<ul style="list-style-type: none"> <li>- Details of scheme proposed</li> <li>- Proposed target levels</li> <li>- Supporting information &amp; calculations</li> </ul>
I2	Guaranteed service level scheme
I2.1 I2.2 I2.3 I2.4	<ul style="list-style-type: none"> <li>- Details of scheme proposed</li> <li>- Proposed target levels</li> <li>- Proposed penalty levels</li> <li>- Supporting information &amp; calculations</li> </ul>
<b>J</b>	<b>Additional information for price-cap model</b>
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)
<b>K</b>	<b>Detailed calculations for Second Regulatory Period</b>
K1	Rolled forward regulatory asset base
K2	Annual revenue requirement

<b>Schedule</b>	<b>Information provided</b>
K3	Corporate income tax forecasts
K4	Forecast price-caps for the opening and subsequent years of the Second Regulatory Period
<b>L</b>	<b>Calculation of demonstrative unbundled rates</b>

24. 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, BOHOL LIGHT COMPANY, 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 23, 2010 .

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