

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 THIRD REGULATORY
YEAR OF THE ERC-APPROVED
ANNUAL REVENUE
REQUIREMENT FOR MACTAN
ELECTRIC COMPANY, INC.,
(MECO) UNDER THE
PERFORMANCE BASED
REGULATION (PBR) FOR THE
REGULATORY PERIOD 2009-2013

ERC CASE NO. _____

MACTAN ELECTRIC COMPANY,
INC. (MECO),

Applicant.

x-----x

APPLICATION

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

1. MECO is a corporation duly organized and existing under and by
virtue of the laws of the Philippines, with principal office at Sangi Road, Pajo,
Lapu-lapu City, Cebu where it may be served with summons and other legal
processes, represented in this instance by its General Manager, Gilbert A.
Pagobo of legal age, Filipino, married and with office address also at Sangi

Road, Pajo, Lapu-lapu City, Cebu. MECO is the exclusive franchise holder issued by Congress of the Philippines to operate an electric light and power services in the City of Lapu-lapu and Municipality of Cordova, both in the Province of Cebu.

2. On May 27, 2008, MECO filed an application (docketed as ERC Case No. 2008-028RC) for approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) covering the Second Regulatory Period from April 1, 2009 to March 30, 2013 in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (“RDWR”).

3. The Honorable Commission resolved ERC Case No. 2008-028RC in its decision dated December 15, 2008.

4. The Applicant filed a Motion for Partial Reconsideration on January 26, 2009 in ERC Case No. 2008-028RC asking the Honorable Commission to reconsider its Decision dated December 15, 2008 and to amend the maximum average price for 2010 found in the Final Determination dated December 15, 2008.

5. The Honorable Commission resolved the Motion for Partial Reconsideration in ERC Case No. 2008-028RC in its Order dated February 2, 2009.

6. On February 6, 2009, Applicant filed an application (docketed as ERC Case No. 2009-008RC) for approval of the translation of its MAP for 2010 (the first regulatory year of the regulatory period 2009-2013) into distribution rates of its different customer classes under the Performance Based Regulation.

The Honorable Commission resolved MECO's application in ERC Case No. 2009-008RC in its Decision dated March 30, 2009.

7. On December 10, 2009, Applicant filed an application (docketed as ERC Case No. 2009-175RC) for approval of the translation of its MAP for 2011 (the second regulatory year of the regulatory period 2009-2013) into distribution rates of its different customer classes under the Performance Based Regulation.

The Honorable Commission resolved MECO's application in ERC Case No. 2009-175RC in its Decision dated February 15, 2010.

8. The Applicant, guided by the RDWR, as amended, has calculated the Smoothed Maximum Average Price (MAP) for the Third Regulatory Year (RY2012) of the Second Regulatory Period to be 1.08918 with an X-factor of 0.0244. The resulting Smoothed MAP for 2012 is shown without the application of side constraints.

9. Based on the Final Determination of December 15, 2008 and the Order of February 2, 2009, MECO has converted the MAP₂₀₁₂ into a distribution rate structure as follows:

MECO – PROPOSED RATES

	Average Rate	Distribution		Supply			Metering	
		PhP/kW	PhP/kWh	PhP/month	PhP/kW	PhP/kWh	PhP/month	PhP/kWh
230V customer-Residential	1.31423		0.75647			0.25012	5.00	0.27380
230V customer-Non Residential	1.04985		0.73029	176.13			45.09	
13.8kV cust w/ less than 1MW demand	0.94027	169.41	0.24000		130.11		219.24	
13.8kV cust w/ more than 1MW demand	0.83070	152.99	0.21000		116.12		2,996.44	
	1.08917							

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”). The Applicant used in its calculations the information contained in the Final Determination of December 15, 2008 and the Order of February 2, 2009.

10. The Side Constraint Condition for the Second Regulatory Period which was approved by the Honorable Commission is $CWI_t + SC_t$. The value of SC_{2012} is 21.11% while the CWI_{2011} has been calculated to be 0.0409.

The Applicant has verified that the resulting Smoothed MAP_{2012} and the converted distribution rates from said MAP_{2012} would not breach the Side Constraint Value for RY2012.

Customer Class	$(FCR_{k,t}/FQ_{k,t})-S_t$	$(CR_{k,t-1}/AQ_{k,t-1})-S_{t-1}$	% Increase	
230V customer-Residential	1.3142	1.1484	14.44%	Within Side Constraints
230V customer-Non Residential	1.0499	0.9174	14.44%	Within Side Constraints
13.8kV cust w/ less than 1MW demand	0.9403	0.8216	14.44%	Within Side Constraints
13.8kV cust w/ more than 1MW demand	0.8307	0.7259	14.44%	Within Side Constraints
Total	1.0892	0.9469	15.02%	Within Side Constraints

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

Schedule	Description
A	Recalculation of MAP 2012 using Price Cap Model
B	Rate Computaion
C	Consumer Price Index, Php/USD Exchange Rate/US Consumer Price Index/Computation of CWI
D	Side Constraints Computation
E	Performance Incentive Scheme Summary
F	Revenue and KWHR Summary

G	Historical Revenue, Billing Determinants and Average Rate
H	Proposed Rate For Each Customer Class

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 Second Regulatory Period, specifically for the RY2012 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, the Applicant most respectfully prays of this Honorable Commission, after due notice and hearing, that this application be approved and that the Applicant be authorized to adopt and implement the proposed distribution rate structure, as follows:

	Average Rate	Distribution		Supply			Metering	
		PhP/kW	PhP/kWh	PhP/month	PhP/kW	PhP/kWh	PhP/month	PhP/kWh
230V customer-Residential	1.31423		0.75647			0.25012	5.00	0.27380
230V customer-Non Residential	1.04985		0.73029	176.13			45.09	
13.8kV cust w/ less than 1MW demand	0.94027	169.41	0.24000		130.11		219.24	
13.8kV cust w/ more than 1MW demand	0.83070	152.99	0.21000		116.12		2,996.44	
	1.08917							

Other reliefs equitable under the premises are likewise prayed for.

RESPECTFULLY SUBMITTED.

Pasig City, December 13, 2010.

**QUIASON MAKALINTAL BAROT
TORRES IBARRA & SISON**

Counsel for the Applicant
21st Floor, Robinsons-Equitable Tower
4 ADB Avenue corner Poveda Street
1605 Ortigas Center, Pasig City
Tel. No. 631-0981

By:

MANUEL L.M. TORRES
ROLL OF ATTORNEYS NO. 25410
MCLE COMPLIANCE NO. II-0002906
PTR NO. 5100388; 1/6/09
PASIG CITY
IBP NO. 766966; 1/5/09
QUEZON CITY

MIGUEL K. MATHAY
ROLL OF ATTORNEYS NO. 43982
MCLE COMPLIANCE NO. II-0000125
PTR NO. 5101010; 1/6/09
PASIG CITY
IBP NO. 766967; 1/5/09
RSM

VERIFICATION/CERTIFICATION

I, **GILBERT A. PAGOBO** of legal age, Filipino, married and with office address also at Sangi Road, Pajo, Lapu-lapu City, Cebu, after having been duly sworn in accordance with law, hereby deposes and states: That –

1. He is the General Manager of Mactan Electric Company, Inc. (MECO), 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 MECO.

3. MECO 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.

GILBERT A. PAGOBO

Affiant

SUBSCRIBED AND SWORN to before me this ___th day of December at _____, affiant who is personally known to me, exhibiting to me his Community Tax Certificate No. 073606 issued at Lapu-lapu City on January 19, 2010 and his Driver's License with License Number G06-92-019177 as competent evidence of identity.

Doc. No. _____;

Page No. _____;

Book No. _____;

Series of 2010.