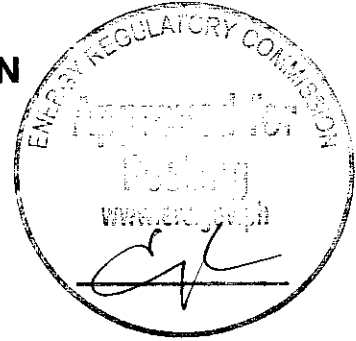


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR THE APPROVAL
OF THE ANNUAL REVENUE
REQUIREMENT AND
PREFERENTIAL INCENTIVE
SCHEME IN ACCORDANCE WITH
THE PROVISIONS OF THE RULES
FOR SETTING DISTRIBUTION
WHEELING RATES**

ERC CASE NO. 2006-041 RC

**CAGAYAN ELECTRIC POWER AND
LIGHT COMPANY, INCORPORATED
(CEPALCO),**

Applicant.

X- - - - -X

D O C K E T E D
Date: **MAY 16 2007**
By: *[Signature]*

NOTICE

On **August 31, 2006**, Cagayan Electric Power and Light Company, Incorporated (CEPALCO) filed an application for approval of its annual revenue requirement and performance incentive scheme covering the Second Regulatory Period from July 2007 to June 2011 in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (RDWR).

In the said application, CEPALCO prayed for the approval of its: a) Annual Revenue Requirement; b) Performance Incentive Scheme; and c) Procedure to Convert the Maximum Average Price Into Rates.

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Having found said application sufficient in form and substance, the ERC set the same for expository hearing on September 25, 2006 and evidentiary hearings on November 9, 10, 13, 14, 16 and 17, 2006. Said public hearings were scheduled with the end view of reaching out to as many stakeholders as possible, including consumers, who would be affected by the resolution of the application.

During the public hearings, CEPALCO presented several witnesses, who testified in support of its application. The lone intervenor in this case, Napocor Industrial Consumers, Association, Inc. (NICAI) was given the opportunity to cross-examine said witnesses.

In the meantime, the RDWR and the Regulatory Reset Position Paper, require the ERC to issue a Draft Determination not later than February 16, 2007. Said Draft Determination embodies the ERC's preliminary position on the price control arrangements that should apply to the Second Regulatory Period and describes the ERC's initial evaluation of CEPALCO's proposals in the instant application, as well as the evidence presented in support thereof during the public hearings up to the date of this issuance.

It is important to note that this is just a Draft Determination and not a final decision. This will only provide an opportunity for interested parties to comment and discuss the ERC's evaluation during the public consultations and/or hearings to be held for that purpose and before the final determination is made. The final determination will be issued by the ERC after the termination of the presentation of evidence by all the parties (both documentary and testimonial) during the public consultations and/or hearings and only after it has conducted a complete evaluation thereof.



The Draft Determination may be downloaded from the ERC's website at www.erc.gov.ph or may be photocopied at cost during the usual office hours from the ERC Docket Section at the 22nd Floor, Pacific Center Bldg., San Miguel Avenue, Ortigas Complex, Pasig City.

Relative thereto, the Draft Determination is hereby set for public consultation on **July 2, 2007 (Monday) at nine o'clock in the morning (9:00 A.M.) at the Southeast Asia Rural and Social Leadership Institute (SEARSOLIN) – Xavier University, Fr. Masterson Avenue, Upper Balulang, Cagayan de Oro City.**

Interested parties are hereby given until **June 15, 2007 (Friday)** to submit their written comments on the Draft Determination (both hard and soft copies) to the aforementioned address (soft copies may be sent to info@erc.gov.ph). The ERC encourages submission of said comments in its preferred format hereto attached as **Annex "A"**. On the other hand, those who may wish to have a copy of the Draft Determination may request CEPALCO, prior to the date of the initial hearing, that they be furnished with a copy thereof. CEPALCO is hereby directed to furnish all those making such requests with copies of the Draft Determination, subject to reimbursement of reasonable photocopying costs. Any party may examine the Draft Determination and other pertinent records filed with the Commission during the usual office hours.

Finally, CEPALCO is hereby directed to:

1. Post a copy of this Notice in: a) its Main Office; b) Branch Office/s; and c) at least three (3) conspicuous places within its franchise area;



2. Publish this Notice in at least one (1) newspaper of general circulation, immediately upon receipt thereof; and
3. Undertake other possible means of disseminating information to the public relative to the above Draft Determination.

SO ORDERED.

Pasig City, May 15, 2007.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ALEJANDRO Z. BARIN
Commissioner

Copy Furnished:

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4. Commission on Audit
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5. Senate Committee on Energy
Senate of the Philippines
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6. House of Representative Committee on Energy
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9. The Municipal Mayor
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10. The Municipal Mayor
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11. The Municipal Mayor
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