

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
INTERIM AVERAGE RATE  
AND ITS CORRESPONDING  
TRANSLATION INTO  
DISTRIBUTION CHARGES  
FOR EACH RATE  
SCHEDULE, WITH PRAYER  
FOR A PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2016-007 RC**

**CAGAYAN ELECTRIC  
POWER AND LIGHT CO.,  
INC. (CEPALCO),**

**Applicant.**

X ----- X

**DOCKETED**  
Date: JUL 25 2016  
By: [Signature]

**ORDER**

On 20 January 2016, Cagayan Electric Power and Light Company, Inc. (CEPALCO) filed an Application for the Approval of the Interim Average Rate and its Corresponding Translation into Distribution Charges for Each Rate Schedule with Prayer for Provisional Authority.

In the said Application, CEPALCO alleged among others, the following:

1. CEPALCO is a corporation duly organized and existing by virtue of the laws of the Philippines, with principal office at CEPALCO Administration Building, Fr. Masterson Avenue, Upper Balulang, Cagayan de Oro City. It is represented in this instance by its President, Mrs. CONSUELO G. TION, of legal age, Filipino, and with the same office address. Applicant is the exclusive franchise holder issued by Congress of the Philippines to operate an electric light and power services in the City of Cagayan de Oro and the Municipalities of

Tagoloan, Villanueva and Jasaan, all in the Province of Misamis Oriental.

2. Applicant is filing this application pursuant to Sections 23 and 24 of the Electric Power Industry Reform Act of 2001 (EPIRA) which provide that a distribution utility shall be entitled to impose and collect distribution wheeling charges and connection fees from end-users, subject to the approval of the Honorable Commission.
3. CEPALCO is one of the first entrants to the Performance Based Regulation (PBR) adopted by the Honorable Commission pursuant to Section 43 (f) of Republic Act 9136 or the EPIRA.
4. Pursuant to the Rules in Setting Distribution Wheeling Rates (RDWR), as updated for privately-owned distribution utilities entering PBR at First Entry Point, applicant filed an application for the approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) for the Third Regulatory Period (3RP), covering the period 1 July 2011 to 30 June 2015. The Honorable Commission approved said application in a Decision dated 6 June 2011 in ERC Case # 2010-064RC. As required by the RDWR, CEPALCO filed in each Regulatory Year (RY) of the 3RP an application for the approval of its Maximum Average Price (MAP) and its translation into distribution charges for each rate schedule, as follows:

MAP for RY	Date Filed	Date Approved	ERC Case No.
2012	July 15, 2011	August 22, 2011	2011-101RC
2013	March 26, 2012	October 1, 2012	2012-047RC
2014	April 2, 2013	August 29, 2013	2013-061RC
2015	March 31, 2014	August 4, 2014	2014-028RC

5. The table below shows the approved distribution charges of CEPALCO for RY 2015, the last RY of the 3RP:




Rate Schedule	DISTRIBUTION			SUPPLY		METERING		
	P/kWh		P/kW	P/kWh	P/Cust	P/kWh	1-phase/ Secondary -metered	3-Phase/ Primary- metered
	1 <sup>st</sup> Block	Excess						
18	1.0755	-	-	0.0080	-	-	-	-
28	1.4273	-	-	0.3854	-	0.5497	5.00	-
38	1.2789	-	-	0.1038	-	-	130.67	945.31
48-A	0.0951	-	291.78	-	1,126.45	-	1,050.03	4,711.82
48-B	0.8606	-	-	-	1,126.45	-	1,050.03	4,711.82
58-58W	0.0588	0.0294	212.42	-	2,668.88	-	-	22,482.39
68-68W	0.0423	0.0212	33.77	-	2,668.88	-	-	22,482.39

6. While waiting for the finalization of the rules that will govern the regulatory reset for the Fourth Regulatory Period (4RP), CEPALCO is constrained to continue implementing the approved distribution charges for RY 2015.

**PROPOSED INTERIM AVERAGE RATE**

7. Pending the conduct of the regulatory reset process, CEPALCO proposes to implement an Interim Average Rate that will be translated to Distribution, Supply and Metering Charges. The Interim Average Rate is necessary so that appropriate adjustments for inflation or CWI (Change in Weighted Index) will be reflected in CEPALCO's distribution rates. Without the relief afforded by the proposed Interim Average Rate, the company's ability to provide quality service to its customers will be adversely affected.
8. The computation or derivation of this proposed Interim Average Rate is based on the following:
  - 8.1. CEPALCO used the approved MAP for RY2015, excluding incentive and correction factor (S and K factor) under ERC Case No. 2014-028RC, equivalent to PhP1.2233/kWh as the reference point of its Interim Average Rate, as shown in Annex "A"; and



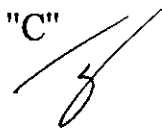
- 8.2. From this reference point, CEPALCO will apply an inflation/CWI adjustment of 0.0346, as shown in Annex "B".
9. Taking into consideration the foregoing, the resulting Interim Average Rate is PhP1.2656 per kWh or an 11.98% increase from the approved MAP for RY 2015.

**PROPOSED TRANSLATION TO DISTRIBUTION CHARGES**

10. CEPALCO proposes to translate the Interim Average Rate into distribution charges by applying a uniform increase of 11.98% over the Distribution, Supply and Metering Charges approved for RY 2015 for CEPALCO. The Honorable Commission has provisionally approved a similar approach adopted by MERALCO in ERC Case # 2015-112RC<sup>1</sup>.
11. The following are the resulting distribution charges based on the proposed Interim Average Rate:

Rate Schedule	DISTRIBUTION			SUPPLY		METERING		
	P/kWh		P/kW	P/kWh	P/Cust	P/kWh	1-phase/ Secondary-metered	3-Phase/ Primary-metered
	1 <sup>st</sup> Block	Excess						
18	1.2044	-	-	0.0090	-	-	-	-
28	1.5983	-	-	0.4316	-	0.6156	5.00	-
38	1.4321	-	-	0.1162	-	-	146.33	1,058.58
48-A	0.1065	-	326.74	-	1,261.43	-	1,175.85	5,276.43
48-B	0.9637	-	-	-	1,261.43	-	1,175.85	5,276.43
58-58W	0.0658	0.0329	237.87	-	2,988.69	-	-	25,176.40
68-68W	0.0474	0.0237	37.82	-	2,988.69	-	-	25,176.40

12. The rate schedules which detail the aforementioned proposed rates are attached as Annex "C"



<sup>1</sup> In the Matter of the Application for Approval of: A.) An Interim Average Rate; and B.) Translation of the Interim Average Rate Into Distribution Rates for Its Various Customer Classes, With Prayer for the Issuance of a Provisional Authority

13. The proposed distribution charges will result to an estimated rate impact per customer class, as follows:

Customer Class	Estimated Rate Impact (P/kWh)
Streetlights	0.13
Residential	0.28
Commercial	0.18
Industrial	0.10
Bulk Power	0.05

14. Applicant most respectfully requests for the approval of this application to enable it to provide service in a manner that is economical, efficient, and fair to all electricity end-users that it serves.

**ALLEGATIONS IN SUPPORT OF THE  
PRAYER FOR PROVISIONAL AUTHORITY**

15. As stated above, the proposed Interim Average Rate is necessary so that appropriate adjustments for CWI will be reflected in CEPALCO's distribution rates. Without the relief afforded by the proposed Interim Average Rate, the company's ability to provide quality service to its customers will be adversely affected.
16. CEPALCO has also implemented capital expenditure projects, such as the construction of the 138kV/69kV Kirahon Substation, as approved by the Honorable Commission in a Decision dated 15 June 2015 in ERC Case No. 2014-158 RC.
17. The construction of the Kirahon Substation and the implementation of other major projects, within and after the 3<sup>rd</sup> RP, are necessary in order to meet the power requirements of existing and incoming customers in CEPALCO's franchise area. The operation and maintenance of these and other projects/assets have increased the operational expenses of CEPALCO.
18. While the rate recovery for these capital expenditures will have to wait for the next regulatory reset, which

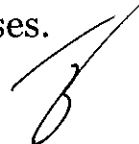


CEPALCO earnestly prays will happen in the next few months, the approval and implementation of the proposed Interim Average Rate will provide CEPALCO temporary and partial financial relief and enable it to meet its financial obligations to suppliers and creditors.

19. Attached as Annex "D" is the Judicial Affidavit of Richard S. Ratunil, which further explains the urgency of the prayer for provisional authority for the determination of the Interim Average Rate and its translation to distribution, supply and metering charges.
  
20. CEPALCO prays that the Commission will:
  - a. After due notice and hearing, approved the proposed Interim Average Rate of P1.2656 per kWh and the proposed distribution charges shown below:

Rate Schedule	DISTRIBUTION			SUPPLY		METERING		
	P/kWh		P/kW	P/kWh	P/Cust	P/kWh	1-phase/ Secondary-metered	3-Phase/ Primary-metered
	1 <sup>st</sup> Block	Excess						
18	1.2044	-	-	0.0090	-	-	-	-
28	1.5983	-	-	0.4316	-	0.6156	5.00	-
38	1.4321	-	-	0.1162	-	-	146.33	1,058.58
48-A	0.1065	-	326.74	-	1,261.43	-	1,175.85	5,276.43
48-B	0.9637	-	-	-	1,261.43	-	1,175.85	5,276.43
58-58W	0.0658	0.0329	237.87	-	2,988.69	-	-	25,176.40
68-68W	0.0474	0.0237	37.82	-	2,988.69	-	-	25,176.40

- b. Issue a provisional authority to implement the proposed distribution charges pending the hearing of the application.
  
- c. Grant such other reliefs that are just and equitable under the premises.



On 07 June 2016, CEPALCO filed an "*Urgent Motion for Early Resolution of the Prayer for Provisional Authority and to Set the Case for Initial Hearing*", praying that the Commission will issue an Order granting its prayer for provisional authority and setting the case for initial hearing, at such date that the calendar of the Commission will allow.

Finding the said Application sufficient in form and substance with the required fees having been paid, and the *Urgent Motion* in order, the Commission hereby resolves the Motion to set the case for initial hearing. Accordingly, the Application is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **20 September 2016 (Tuesday) at two o'clock in the afternoon (2:00 P.M.) at CEPALCO's Principal Office, CEPALCO Administration Building, Fr. Masterson Avenue, Upper Balulang, Cagayan de Oro City.**

CEPALCO is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. They are also directed to inform the consumers within the franchise area of CEPALCO, by any other means available and appropriate, of the filing of the instant Application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the Application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governors, the Mayors and the Local Government Unit (LGU) Legislative Bodies of the respective cities or municipalities within CEPALCO's franchise area for the appropriate posting thereof on their respective bulletin boards.



CEPALCO is hereby directed to furnish all those making requests therefor with copies of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and Pre-trial Conference, CEPALCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors and LGU Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published, together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

CEPALCO and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of CEPALCO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the Pre-trial Conference, CEPALCO must also be prepared to make an expository presentation of its Application, aided by whatever communication medium they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit



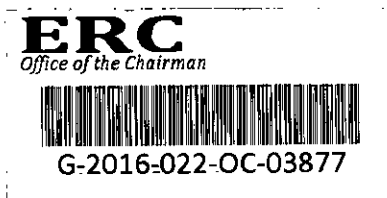


of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 05 July 2016.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*

*Copy*  
LSP/APV/ERC CASE No. 2016-007 RC.IO.CEPALCO

Copy furnished:

1. Attys. Isidro O. Baculio, Jr., Roel O. Camorro, Maynard Eugenio C. Ylagan  
*Counsels for Applicant CEPALCO*  
CEPALCO Administration Building, Fr. Masterson Avenue,  
Upper Balulang, Cagayan de Oro City
2. Cagayan Electric Power and Light Company, Inc. (CEPALCO)  
CEPALCO Administration Building, Fr. Masterson Avenue,  
Upper Balulang, Cagayan de Oro City
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
4. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
5. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City

6. House Committee on Energy  
Batasan Hills, Quezon City,
  
8. Office of the President  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP)  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio, Taguig City
  
9. Office of the City Mayor and the  
Office of the Sangguniang Panglungsod  
Cagayan de Oro City, Misamis Oriental
  
10. Office of the Municipal Mayor and the  
Office of the Sangguniang Bayan  
Tagoloan, Misamis Oriental
  
11. Office of the Municipal Mayor and the  
Office of the Sangguniang Bayan  
Villanueva, Misamis Oriental
  
12. Office of the Municipal Mayor and the  
Office of the Sangguniang Bayan  
Jasaan, Misamis Oriental
  
13. Office of the Governor and the  
Office of the Sangguniang Panlalawigan  
Province of Misamis Oriental
  
14. Regulatory Operations Service (ROS)  
Energy Regulatory Commission,  
Pacific Center, San Miguel Avenue, Pasig City

