

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 FOURTH
REGULATORY YEAR OF THE
ERC-APPROVED ANNUAL
REVENUE REQUIREMENT
FOR THE CLARK ELECTRIC
DISTRIBUTION CORPORATION
(CEDC) UNDER THE
PERFORMANCE BASED
REGULATION (PBR) FOR THE
REGULATORY PERIOD
OCTOBER 1, 2011 -
SEPTEMBER 30, 2015

ERC CASE NO. 2014-130 RC

CLARK ELECTRIC
DISTRIBUTION CORPORATION
(CEDC),

Applicant.

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DOCKETED

Date: OCT 22 2014

By: [Signature]

ORDER

On September 2, 2014, the Clark Electric Distribution Corporation (CEDC) filed an application for the approval of the translation into distribution rates of different customer classes for the Fourth Regulatory Year of the ERC-approved Annual Revenue Requirement (ARR) under the Performance Based Regulation (PBR) for the Regulatory Period October 1, 2011 to September 30, 2015.

In the said application, CEDC alleged, among others, that:

1. It is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga;
2. It is the exclusive franchise holder issued by the Clark Development Corporation (CDC) by virtue of Executive Order No. 80, to operate and maintain the power distribution system within the Clark Economic Zone and to distribute power exclusively therein;
3. On November 3, 2010, it filed an application (ERC Case No. 2010-131RC) for approval of its ARR and Performance Incentive Scheme (PIS) covering the Second Regulatory Period from October 1, 2011 to September 30, 2015, in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (RDWR), as amended;
4. The Commission resolved ERC Case No. 2010-131 RC in its Decision dated July 16, 2011;
5. On August 24, 2011, it filed an application (ERC Case No. 2011-118 RC) for approval of the translation of its MAP for 2012 (the First Regulatory Year of the Regulatory Period 2011 to 2015) into distribution rates of its different customer classes under PBR;
6. The Commission resolved ERC Case No. 2010-118 RC in its Decision dated April 10, 2012;
7. On August 30, 2012, it filed an application (docketed as ERC Case No. 2012-099 RC) for approval of the translation of its MAP for RY 2013 (the second regulatory year of the regulatory period 2011-2015) into distribution rates of its different customer classes under PBR;
8. The Commission resolved ERC Case No. 2012-099 RC in its Decision dated December 17, 2012;
9. On September 30, 2013, it filed an application (ERC Case No. 2013-194 RC) for approval of the translation of its MAP for RY 2014 (the Third Regulatory Year of the Regulatory Period 2011 to 2015) into distribution rates of its different customer classes under PBR;

10. The Commission resolved ERC Case No. 2013-194 RC in its Decision dated December 9, 2013;
11. Guided by the RDWR, as amended, it has calculated its MAP for the Fourth Regulatory Year (RY 2015) of the Second Regulatory Period to be PhP0.0101/kWh with an X-factor of 0.0444.

Shown below is the calculation of the resulting MAP for RY 2014:

$$MAP_{2015} = \{ MAP_{2014} * (1 + CWI_{2015} - X) \} + S_{2015} - K_{2015} + ITA$$

$$MAP_{2015} = \{ 0.8350 * (1 + 0.0378 - .0444) \} + 0.0131 - (-0.0675) + 0$$

12. Based on the Final Determination dated July 6, 2011, its Uniform Filing Requirements (UFR) and the provisions set forth in the Distribution Services and Open Access Rules (DSOAR), specifically the conversion of the MAP into different rate elements per customer class, it has converted the computed MAP₂₀₁₅ (without the application of the side constraints) into a distribution rates structure, as follows:

PROPOSED DISTRIBUTION RATES

CUSTOMER SEGMENT	DISTRIBUTION		SUPPLY		METERING	
	Per kW	Per kWh	Per Customer	Per kWh	Per Customer	Per kWh
Residential	-	0.6533	25.93	0.1901	5.00	0.0686
Small Commercial	-	0.6409	31.24	-	5.00	0.1252
Commercial/ Industrial Secondary	242.85	0.3988	1,054.93	-	774.25	-
Commercial/Industrial Primary	193.71	0.3988	2,328.13	-	8,203.41	-
69 kV	320.98	-	27,006.29	-	54,940.23	-
Street Lights	-	0.6500	738.87	-	48.57	-

It used in its calculations the information contained in the Final Determination dated July 6, 2011 and its historical operational and financial data as prescribed by Articles III, IV, V and VI of the RDWR, as amended;

13. The Side Constraint Condition for the Second Regulatory Period which was approved by the Commission is $CWI_t + SC_t$. The value of SC_{2015} was already set at a fixed level of 12% while the CWI_{2015} is computed at 0.0378.

It has determined that while the resulting over-all MAP_{2015} did not breach the side constraint, the converted distribution rates from said MAP_{2015} would result in the breach of the rate for its 69 kV and Street Lights customers.

$$\begin{aligned} ((FCR_{k,t} / FQ_{k,t}) - S_t) - ((CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1}) &\leq (CWI_t + SC_t) \\ (CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1} &\leq 0.0378 + 12\% \\ &\leq \mathbf{15.78\%} \end{aligned}$$

14. It has computed the over-all MAP_{2015} with the side constraint applied to be PhP0.8560/kWh. The constrained MAP is PhP0.0541/kWh or 8% lower than the calculated MAP for Regulatory Year 2015.

Strictly constraining the MAP_{2015} to the limitation provided in its Final Determination will result to under recoveries which it undertakes to avoid the build-up of said under recoveries during the Second Regulatory Period, as these will result to future higher distribution rates. Moreover, constrained rates will not reflect true cost of electric service to customers. It requested the Commission to relax the Side Constraints for RY 2015 to help minimize the under-recoveries for the same year;

15. In support of the instant application, it has attached the following documents:

SCHEDULE	INFORMATION PROVIDED
1	Calculation of MAP_{2015}
2	Summary of MAP for Second Regulatory Period
3	Calculation of (CWI_{2015}) Change in Weighted Index
4	Calculation of (S) Incentive Factor
5	Calculation of (K) Correction Factor for Under/Over Recovery
6	Annual Historical and Forecast Data Requirements
7	UFR and Revenue Allocation Factors
8	Rate Class Allocation
11	Rate Schedule ₂₀₁₅
12	Revenue Summary per Customer Segment

13	Test of Side Constraint Limitation
14	Constrained MAP ₂₀₁₅ and recalculated Rate Schedule
15	Rate Comparison

16. The approval of the instant application will allow it to fulfill its obligations under the PBR, to implement in a timely manner its capital expenditure program and its operating and maintenance programs for the Fourth Regulatory Year of the Second Regulatory Period and avoid irreparable losses that will ultimately lead to the deterioration of its services, to the damage and prejudice of its consumers; and
17. It prays that the instant application be approved by the Commission and it be authorized to adopt and implement the following:
- a. Approval of the MAP for RY 2015 of PhP0.9101/kWh;
 - b. The relaxation of the Side Constraints for RY 2015; and
 - c. Approval of the distribution rate structure based on the MAP for RY 2015, without the application of the Side Constraints (to be effective beginning October 1, 2014) as shown below and the Rate Schedule for each customer class per Schedule 9 of the instant application:

CUSTOMER SEGMENT	DISTRIBUTION		SUPPLY		METERING	
	Per kW	Per kWh	Per Customer	Per kWh	Per Customer	Per kWh
Residential	-	0.6533	25.93	0.1901	5.00	0.0686
Small Commercial	-	0.6409	31.24	-	5.00	0.1252
Commercial/ Industrial Secondary	242.85	0.3988	1,054.93	-	774.25	-
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Street Lights	-	0.6500	738.87	-	48.57	-

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **November 21, 2014 (Friday)** at ten o'clock in the morning (10:00 A.M.) at the CEDC's Multi-

Purpose Hall, Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga.

CEDC is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearings 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 Office of the Administrator/Responsible Officer of the Clark Freeport Zone Authority (CFZA) for the appropriate posting thereof on its bulletin board.

CEDC 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, CEDC must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certification issued to that effect, signed by the afore-mentioned Administrator/Responsible Officer or his duly authorized representative, bearing the seal of his office, and the affidavits of the Editors or Business Managers of the newspapers where the 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.

CEDC 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 thereof 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 CEDC 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, CEDC must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it 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, October 20, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson ✓

Copy Furnished:

- 1. QUIASON MAKALINTAL BAROT TORRES IBARRA AND SISON LAW OFFICES**
Attention: **ATTYS. MANUEL M. TORRES and MIGUEL K. MATHAY**
Counsels for Applicant CEDC
21st Floor, Robinsons-Equitable Tower,
4 ADB Avenue corner Poveda Street,
1605 Ortigas Center, Pasig City
- 2. CLARK ELECTRIC DISTRIBUTION CORPORATION (CEDC)**
Attention: **MR. RADITO P. TUAZON**
Chief Operating Officer
Building N2830 Bayanihan Street
Clark Freeport Zone, Pampanga
- 3. Commission on Audit**
Commonwealth Avenue
Quezon City
- 4. Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City
- 5. House Committee on Energy**
Batasan Hills, Quezon City
- 6. Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
- 7. Office of the Administrator/Responsible Officers**
Clark Freeport Zone
Province of Pampanga