

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
DECORP UNDER THE
PERFORMANCE BASED
REGULATION (PBR) FOR THE
REGULATORY PERIOD 2011-2015**

ERC CASE NO. 2014- 027 RC

**DAGUPAN ELECTRIC
CORPORATION (DECORP),
Applicant.**

X ----- X

D O C K E T E D
Date: JUL 28 2014
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on March 31, 2014, Dagupan Electric Corporation (DECORP) filed an application for approval of the translation into distribution rates of its 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 2011-2015.

In said application, DECORP alleged, among others, the following:

1. It is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at AB Fernandez West, Dagupan City where it may be served with summons and other legal processes, represented in this instance by its Chief Executive Officer (CEO), Deon James with office address at Veria I Bldg., 62 West Avenue, Quezon City;

2. It is the holder of an exclusive franchise issued by Congress of the Philippines to operate an electric light and power service in the Cities and Municipalities of Dagupan, Calasiao, San Fabian, Sta. Barbara, San Jacinto, Manaoag, Barangays Cruz and Bolingit of San Carlos, all in the Province of Pangasinan;
3. On June 21, 2010, it filed an application (docketed as ERC Case No. 2010-070 RC) for approval of its ARR and Performance Incentive Scheme (PIS) covering the Third Regulatory Period from July 1, 2011 to June 30, 2015 in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (RDWR);
4. On June 29, 2011, the Commission issued a Decision in ERC Case No. 2010-070 RC approving its ARR and PIS for the Third Regulatory Period from July 1, 2011 to June 30, 2015;
5. On July 28, 2011, it filed an application (docketed as ERC Case No. 2011-106RC) for approval of the translation of its MAP for RY 2012 (the first regulatory year of the regulatory period 2011-2015) into distribution rates of its different customer classes under the Performance Based Regulation. On November 14, 2011, the Commission issued a Decision in the said case;
6. On March 29, 2012, it filed an application (docketed as ERC Case No. 2012-053RC) for approval of the translation of its MAP for RY2013 (the second regulatory year of the regulatory period 2011-2015) into distribution rates of its different customer classes under the PBR. On October 29, 2012, the Commission issued a Decision in the said case.

On January 22, 2013, it filed a "Motion for Reconsideration" praying that the Commission approve the MAP₂₀₁₃ of PhP1.8574/kWh and the proposed distribution rate structure based on the aforesaid proposed MAP₂₀₁₃. The Commission denied the said motion in its Order dated April 1, 2013;

7. On April 8, 2013, it filed an application (docketed as ERC Case No. 2013-070RC) for approval of the translation of its MAP for RY2013 (the third regulatory year of the regulatory period 2011-2015) into distribution rates of its different customer classes under the PBR. On July 22, 2013, the Commission issued a Decision on the said case.

On September 13, 2013, it filed a "Motion for Correction" asking for the correction of the unit of measurements indicated in the table of the approved distribution charges of the July 22, 2013 Decision. The Commission approved said corrections in its Order dated September 23, 2013;

8. Guided by the RDWR, as amended, it has calculated the Maximum Average Price (MAP) for the Fourth Regulatory Year (RY 2015) of the Third Regulatory Period to be PhP1.7918/kWh with an X-factor of 0.0464. Shown below is the calculation of MAP for RY 2015:

$$\begin{aligned} \text{MAP}_{2015} &= [\text{MAP}_{2014} \times \{ 1 + \text{CWI}_{2015} - X \}] + S_{2015} - K_{2015} + \text{ITA}_{2015} \\ \text{MAP}_{2015} &= 1.7918 \\ \text{MAP}_{2015} &= \mathbf{1.7918 \text{ (PhP/kWh)}} \end{aligned}$$

$$\begin{aligned} \text{MAP}_{2014} &= [\text{MAP}_{2013} \times \{ 1 + \text{CWI}_{2014} - X \}] + S_{2014} - K_{2014} + \text{ITA}_{2014} \\ \text{MAP}_{2014} &= 1.8083 \end{aligned}$$

The resulting MAP₂₀₁₅ is P 0.0165/kWh lower than the ERC- approved MAP for Regulatory Year 2014;

9. Based on the Final Determination dated June 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 into a distribution rate structure as follows:

Proposed Distribution Rates

Customer Class		Distribution	Supply	Metering
Residential (R)	PhP/kWh	1.7200	0.4059	0.2248
	PhP/Cust/Mo	-	-	5.0000
Street Lighting (S)	PhP/kWh	3.2740	-	-
	PhP/Cust/Mo	-	46.5801	-
General Retail (X)	PhP/kWh	1.3308	-	-
	PhP/Cust/Mo	-	46.5801	62.2870
General Power (Y)	PhP/kWh	0.4016	-	-
	PhP/kW	226.1659	-	-
	PhP/Cust/Mo	-	393.8333	897.1640
Bulk Power (Z)	PhP/kWh	0.2391	-	-
	PhP/kW	207.2347	-	-
	PhP/Cust/Mo	-	393.8333	4,152.4869

The conversion was effected in accordance with its 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). It used in its calculations the information contained in the Final Determination dated June 6, 2011, and the historical operational and financial data and its forecasted operational and financial data that are prescribed to be used by Articles III, IV, V and VI of the amended RDWR;

10. The Side Constraint Condition for the Third 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 3%, while the CWI_{2015} is computed at 4.21%.

It has determined that while the resulting over-all MAP_{2015} and the converted distribution rates from MAP_{2015} did not breach the side constraints. Shown below is the computation of Side Constraints per Customer Class pursuant to Section 6.4 of the RDWR, as amended:

$$\frac{((FCR_{k,t} / FQ_{k,t}) - S_t) - ((CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1})}{(CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1}} \leq (CWI_t + SC_t)$$

CUSTOMER CLASS	$(FCR_{k,t} / FQ_{k,t}) - S_t$	$(CR_{k,t-1} / AQ_{k,t-1}) - S_{t-1}$	% Increase	Status
Residential (R)	2.4051	2.3737	0.92%	Within side constraint
Street Lighting (S)	3.2803	3.2016	2.46%	Within side constraint
General Retail (X)	1.5647	1.5484	1.05%	Within side constraint
General Power (Y)	1.3805	1.4063	-1.83%	Within side constraint
Bulk Power (Z)	0.8476	0.8293	2.20%	Within side constraint

11. It submitted several documents marked as Schedules 1 to 11 and A to E, inclusive, in support of the instant application;

12. The approval of the instant application will allow it fulfill its obligations under PBR, to implement in a timely manner its capital expenditure program and its operating and maintenance programs for the Third Regulatory Period, specifically for RY 2015, and to avoid any irreparable losses that will ultimately result in the deterioration of its services, to the damage, and prejudice of the public, in general, and its consumers, in particular; and
13. It prays that after due notice and hearing, its application be approved by the Commission and that it be authorized to adopt and implement the following:
 - a) Approval of the MAP₂₀₁₅ of PhP1.7918/kWh; and
 - b) Approval of the distribution rate structure based on the MAP₂₀₁₅ of PhP 1.7918/kWh effective beginning July 1, 2014, as follows:

PROPOSED RATES

Customer Class		Distribution	Supply	Metering
Residential (R)	PhP/kWh	1.7200	0.4059	0.2248
	PhP/Cust/Mo	-	-	5.0000
Street Lighting (S)	PhP/kWh	3.2740	-	-
	PhP/Cust/Mo	-	46.5801	-
General Retail (X)	PhP/kWh	1.3308	-	-
	PhP/Cust/Mo	-	46.5801	62.2870
General Power (Y)	PhP/kWh	0.4016	-	-
	PhP/kW	226.1659	-	-
	PhP/Cust/Mo	-	393.8333	897.1640
Bulk Power (Z)	PhP/kWh	0.2391	-	-
	PhP/kW	207.2347	-	-
	PhP/Cust/Mo	-	393.8333	4,152.4869

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **August 29, 2014 (Friday) at nine-thirty in the morning (9:30 A.M.) at the DECORP's Main Office, AB Fernandez West, Dagupan City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's

Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 21st day of July, 2014 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III