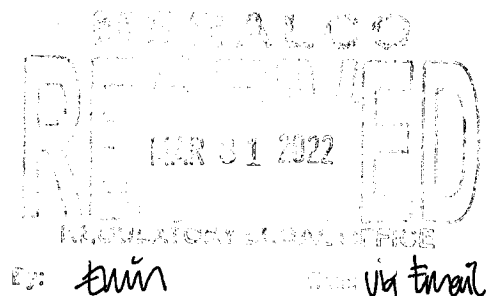


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
ANNUAL REVENUE  
REQUIREMENT AND  
PERFORMANCE  
INCENTIVE SCHEME FOR  
THE FIFTH REGULATORY  
PERIOD (REGULATORY  
YEARS 2023-2026) IN  
ACCORDANCE WITH THE  
PROVISIONS OF THE  
RULES FOR SETTING  
DISTRIBUTION  
WHEELING RATES  
(RDWR),**



**ERC CASE NO. 2022-015 RC**

**MANILA ELECTRIC  
COMPANY (MERALCO),**  
*Applicant.*

**Promulgated:**  
**March 31, 2022**

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**ORDER**

On 16 March 2022, Manila Electric Company (MERALCO) filed an *Application* dated 10 March 2022, seeking the Commission's approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) for the Fifth Regulatory Period covering Regulatory Years (RYs) 2023 to 2026, in accordance with the provisions of the Rules for Setting Distribution Wheeling Rates (RDWR).

The pertinent allegations of the *Application* are hereunder quoted as follows:

1. Applicant MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission

through its undersigned counsel at the address indicated herein.

2. Applicant has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.

#### I. BACKGROUND

3. Applicant entered Performance-Based Regulation (PBR) at the Second Regulatory Period (2RP) as part of the First Entry Group. Applicant's revenue application for the 2RP was filed before the Honorable Commission on 1 September 2006<sup>1</sup> and approved, with modification, in a Decision dated 30 August 2007, attaching thereto the Honorable Commission's Final Determination on the Price Control Arrangements for the 2RP.
4. Subsequently, Applicant filed its revenue application for the Third Regulatory Period (3RP) under PBR on 18 June 2010 under ERC Case No. 2010-069 RC. This was approved, with modification, in a Decision dated 6 June 2011, attaching thereto the Honorable Commission's Final Determination on the Price Control Arrangements for the 3RP.
5. Starting the 3RP and up to the date of this Application, Applicant has operated its electricity distribution network efficiently and in accordance with the Honorable Commission's rules and guidelines.

##### a. Capital Investment

During the 3RP, Applicant embarked on the Capital Expenditure (CAPEX) Program approved under the Final Determination. The approved CAPEX program and the emergency CAPEX projects, which Applicant was constrained to undertake, served to maintain the integrity and efficiency of Applicant's distribution system, while providing additional capacity to meet existing and future demand. After the 3RP, Applicant filed annual applications with the Honorable Commission for the approval of its CAPEX projects.

From 1 January 2016 until 30 January 2022, Applicant completed several major projects including: (a) the construction and development of sixteen (16) new substations with additional total capacity of 1,546 MVA; (b) expansion of thirty-two (32) existing substations with a total additional capacity of 2,944 MVA; (c) construction of 5-115 kV and 2-69 kV subtransmission lines; (d) replacement of nine (9) power transformers; (e) replacement of Call Center System (CTI,

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<sup>1</sup> Docketed as ERC Case No. 2006-045 RC.

Voice Logger and Telephony Infrastructure); and (f) acquisition of several systems including the Enterprise Geographic Information System (GIS) – Phase 1.

**b. Operating Performance**

Applicant's operating and maintenance expenditure (OPEX) for the last five (5) years showed operational efficiencies and productivity improvements. This is shown by the following:

- i. Annual OPEX per customer or total costs associated with delivering electricity to the ultimate customers averaged PhP2,646 for the past 5 years, lower than the annual average OPEX per customer of PhP2,792 during the 3RP.
- ii. Total OPEX associated with each kWh of electricity distributed to ultimate customers during the past 5 years averaged PhP0.41 compared with PhP0.45 during the 3RP.
- iii. It should be noted that OPEX for RYs 2020 and 2021 were significantly affected by the COVID-19 pandemic. These include deferment of payments by the customers; disruptions in the supply chain as vendors/suppliers experienced equipment shortage, constrained movements, and limited staff; and incurrence of additional costs to cover the health and safety of MERALCO workforce. Nonetheless, as a result of the COVID-19 pandemic, MERALCO accelerated its technology solutions to address remote work arrangement, digital/contactless payments from customers and vendors, and virtual communications and engagement with the customers; and rolled out cybersecurity solutions to manage the increasing security risks and threats. These expenses were critical to the sustained reliable and safe operation of MERALCO's distribution network and delivery of services to the consumers despite the challenging circumstances.

**c. Performance against Price-Linked Performance Indices**

Despite the absence of regulatory framework after the 3RP, Applicant's Price-Linked Performance Indices relatively continued to improve over the years.

The total System Average Interruption Frequency Index (SAIFI) of 1.50 times in CY2020 showed a 31.19% improvement over the SAIFI of CY2016 (2.18 times). Planned SAIDI, or the average duration of planned interruptions a customer experienced, improved from 54.68 minutes in

CY2016 to 53.31 minutes in CY2020. CAIDI, or the average outage duration of interruptions customers experienced, however, increased by 5.05% with the improvement in T-SAIFI outpacing the improvement in T-SAIDI in CY2020.

The power quality indicator measured through the Probability of Voltage Violation (pVv) index slightly deteriorated in CY2021, with 1 violation measured compared with zero or no measured violation in CY2016. By the end of CY2020, System Loss is at 6.08% which is an improvement of 0.27 percentage points from CY2016 System Loss of 6.35%.

In terms of service performance indicators, Time to Process Applications (TPA) and Time to Connect Premises (TCP) are consistently performing above expected target levels for CY2016 up to CY2020 based on the approved targets for the 3RP. The TCP improved by 31.71%, from 2.68 days (CY2016 performance) to 1.83 days (CY2020 performance). Similarly, TPA slightly increased by 9.6% from 3.54 days in CY2016 to 3.88 days in CY2020.

Call Center Performance (CCP) follows a similar trend, with Level A Rewards levels of performance from CY2016 up to CY2019, and only breached the Level A Reward threshold of 9.81 seconds in CY2020 because of the surge of incoming calls due to the impact of the COVID-19 pandemic.

**d. GSL Scheme**

The Guaranteed Service Level (GSL) scheme requires the Applicant to provide pay-outs to directly compensate a customer if certain service delivery performance standards are not met.

Applicant's over-all performance in the GSL indicators after the end of the 3RP was continuously monitored despite the absence of the GSL framework. Using the 3RP threshold as reference, GSL performance were maintained below the allotted violation limits. The marked reduction in GSL violations can be attributed to the improvement in the overall reliability performance of the electric distribution system, which has led to the decrease in the frequency and duration of interruptions. In addition, increased awareness of the Applicant's personnel on the GSL and its impact on customer service, as well as reduction of secondary distribution line outages due to pilferage, also contributed to the reduction of GSL violations. Supporting information systems were likewise developed to provide line organizations with regular reports on the GSL levels.

**II. THE INSTANT APPLICATION – FIFTH REGULATORY PERIOD**

- 6. Applicant will continue operating under PBR, entering the Fifth Regulatory Period (5RP) as part of the First Entry**

Group.<sup>2</sup> This 5RP will commence on 1 July 2022 and terminate on 30 June 2026.

7. The filing of this Application for the approval of the 5RP Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) is in accordance with the Honorable Commission's revised Rules for setting Distribution Wheeling Rates (RDWR) for Privately Owned Distribution Utilities entering Performance Based Regulation dated 2 December 2021.
8. Applicant has prepared its proposal in accordance with the conditions described in the afore-mentioned RDWR and in the implementing guidelines issued by the Honorable Commission in its Position Paper on the Regulatory Reset for the July 2022 to June 2026 Regulatory Period for Privately Owned Distribution Utilities subject to Performance Based Regulation, dated December 2021 (Position Paper). The application submitted to the Honorable Commission made use of the methodology described in the RDWR, the Position Paper and applied the financial spreadsheet model titled Price-Cap-MODEL-GroupA-5<sup>th</sup>\_RP.xls (Price-Cap Model) that was provided to the Applicant by the Honorable Commission.
9. Applicant proposes that the ARR and PIS values to be approved form the basis of the X-factor, P<sub>o</sub>-factor and the Maximum Annual Prices (MAP) that will apply to Applicant and on which it will base its rate setting for the 5RP.

#### Annual Revenue Requirement (ARR)

10. The proposed ARR is based on the Building Block calculation<sup>3</sup> described in the RDWR, with the exclusion of corporate income tax.
11. As prescribed under the revised RDWR,<sup>4</sup> included in the proposed ARR are allowances for under- or over-recoveries carried over from the 3RP, allowances for regulatory interventions imposed by the Honorable Commission during the 3RP, where applicable, and provision for an efficiency carry-over calculated in accordance with pertinent rules and regulations.
12. The proposed ARR for each Regulatory Year based on the Building Block computation under the revised RDWR is set forth below:

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<sup>2</sup> The entry group was originally described in Annex B of ERC Resolution No. 12-02 Series of 2004 entitled, "Adopting a Methodology for Setting Distribution Wheeling Rates", dated 10 December 2004, and later amended by the Honorable Commission to provide for four entry points.

<sup>3</sup> Revised RDWR, Article 4.7.1.

<sup>4</sup> Revised RDWR, Article 6.4.2.

Table 1. Annual Revenue Requirement as per Building Block approach<sup>5</sup>  
Proposed Revenue Requirement per Regulatory Year (Nominal PhP)

| Building Block                                    | Proposed Revenue Requirement per Regulatory Year<br>(PhP millions, Nominal) |           |           |           |
|---------------------------------------------------|-----------------------------------------------------------------------------|-----------|-----------|-----------|
|                                                   | 2023                                                                        | 2024      | 2025      | 2026      |
| Operating and maintenance expenditure             | 27,824.45                                                                   | 28,945.60 | 31,006.93 | 33,163.99 |
| Taxes, levies & duties (other than corporate tax) | 475.70                                                                      | 494.64    | 513.24    | 532.24    |
| Regulatory depreciation                           | 11,872.44                                                                   | 14,909.26 | 17,067.99 | 18,871.88 |
| Return on capital                                 | 25,859.06                                                                   | 30,585.19 | 34,105.68 | 36,390.90 |
| Revenue Requirement Subtotal                      | 66,031.66                                                                   | 74,934.68 | 82,693.84 | 88,959.01 |
| Allowance for under/over recovery                 | 273.44                                                                      | 277.26    | 286.68    | 294.42    |
| Allowance for regulatory intervention             | -                                                                           | -         | -         | -         |
| Efficiency carry-over                             | 1,874.62                                                                    | 3,156.96  | 1,490.47  | 176.86    |
| TOTAL REVENUE REQUIREMENT                         | 68,179.71                                                                   | 78,368.90 | 84,470.99 | 89,430.30 |

13. The ARR is based on a proposed rolled-forward value of the Applicant’s Regulatory Asset Base (RAB) as described below. The opening value of the RAB for the 5RP is based on the value of the RAB as of 31 December 2021, and rolled forward using the projected CAPEX additions, depreciation and disposals from 1 January 2022 to 30 June 2022. The Applicant notes that the 31 December 2021 value of the RAB used in this Application is an interim value only. This value will be updated based on the final Independent Expert’s Report, applying the Honorable Commission’s RAB Roll-Forward Handbook for Privately Owned Distribution Utilities, issued under ERC Resolution No. 11, Series of 2021.

Table 2. Summary of proposed Rolled-forward Regulatory Asset Base  
Rolled-forward Regulatory Asset Base (Nominal PhP)

|                                             | RY2023          | RY2024          | RY2025          | RY2026          |
|---------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Opening Value of RAB                        | 172,690,198,224 | 211,244,970,789 | 243,981,205,209 | 264,002,772,821 |
| Depreciation on RAB                         | 11,872,444,906  | 14,909,255,693  | 17,067,992,035  | 18,871,880,857  |
| Capital Expenditure                         | 50,394,344,727  | 47,603,477,043  | 37,038,771,540  | 32,807,389,958  |
| Change in assets used over regulatory lives | 32,872,745      | 42,013,070      | 50,788,106      | 57,452,276      |
| Closing Value of RAB                        | 211,244,970,789 | 243,981,205,209 | 264,002,772,821 | 277,995,734,199 |
| Average RAB for the Year                    | 191,967,584,507 | 227,613,087,999 | 253,991,989,015 | 270,999,253,510 |

14. Due to delays in project implementation during the Lapsed Period, several Major Capex Projects are tagged as “Carry-

<sup>5</sup> The meaning and application of these parameters are as described in the revised RDWR.

over”. Such are projects that are essential for the improvement of Applicant’s operations, but were pushed back due to difficulties such as the COVID-19 Pandemic. These projects are slated to be commissioned by RY 2023 and RY 2024, and will be part of the 5RP RAB computations.

Table 3. Summary of Proposed Lapsed Period Carry-Over Capital Expenditure

| Lapsed Period Carry-Over Capital Expenditures per Regulatory Year |                |               |
|-------------------------------------------------------------------|----------------|---------------|
|                                                                   | RY2023         | RY2024        |
| Nominal Value                                                     | 12,358,419,638 | 3,552,715,525 |
| Nominal Value with CWIP                                           | 12,606,163,076 | 3,632,987,437 |

15. In calculating the afore-mentioned ARR for the 5RP, Applicant made use of the estimated Philippine Consumer Price Index, United States of America Consumer Price Index and Philippine Peso/United States dollar exchange rate figures as follows:

Table 4a. Forecast Change in the Consumer Price Index for the Philippines

|                 | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 2022  | 2023  | 2024  | 2025  | 2026  |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| Calendar Year   | 128.8                                                                                                                                                                                                                                                                                                                                                                                                                                                | 133.6 | 138.1 | 142.7 | 146.6 | 151.1 |
| Regulatory Year |                                                                                                                                                                                                                                                                                                                                                                                                                                                      | 130.8 | 135.5 | 140.0 | 144.3 | 148.5 |
| Data source :   | Actual CPI, all items, for all income households in the Philippines (2012=100) up to December 2021, Philippine Statistics Authority<br>Calendar year forecasts of PH CPI are based on the inflation forecast of the Economist Intelligence Unit (EIU) as contained in its December 2021 Country Forecast Report. The regulatory year forecasts of PH CPI are based on the template worksheets provided to the Applicant by the Honorable Commission. |       |       |       |       |       |

Table 4b. Forecast Change in the Consumer Price Index for the United States of America

|                 | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 2022    | 2023    | 2024    | 2025    | 2026    |
|-----------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|---------|---------|---------|
| Calendar Year   | 270.970                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 281.267 | 287.454 | 293.778 | 300.242 | 306.847 |
| Regulatory Year |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | 276.531 | 284.818 | 291.084 | 297.488 | 304.032 |
| Data source :   | Actual CPI, all items in U.S. city average, all urban consumers, not seasonally adjusted (1982-84=100) up to December 2021, United States Bureau of Labor Statistics<br>Calendar year forecasts of U.S. CPI are based on the U.S. inflation forecast of the Economist Intelligence Unit as contained in its December 2021 Country Forecast Report. The regulatory year forecasts of U.S. CPI are based on the template worksheets provided to the Applicant by the Honorable Commission. |         |         |         |         |         |

Table 4c. Forecast PhP/US\$ Exchange Rate (average for the year)

| Quarter ending  | 2021                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 2022  | 2023  | 2024  | 2025  | 2026  |
|-----------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|-------|-------|-------|-------|
| Calendar Year   | 49.25                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 52.23 | 52.78 | 53.30 | 52.92 | 51.80 |
| Regulatory Year |                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 51.36 | 52.51 | 53.04 | 53.11 | 52.36 |
| Data source :   | Actual period average of PHP:USD exchange rate up to December 2021, Bangko Sentral ng Pilipinas<br>Calendar year forecasts of PHP:USD exchange rate are based on period average PHP:USD exchange rate forecast of the Economist Intelligence Unit (EIU) as contained in its December 2021 Country Forecast Report. The regulatory year forecasts of PHP:USD exchange rate are based on the template worksheets provided to the Applicant by the Honorable Commission. |       |       |       |       |       |

- a. For purposes of the initial and subsequent annual price resets during the 5RP as required under the revised RDWR, Applicant will update the afore-mentioned Consumer Price Indices and foreign exchange rates using actual values.

- 16. The afore-mentioned ARR is partly based on a proposed Weighted Average Cost of Capital of 13.2%. Applicant’s calculations considered the recommendations of NERA Economic Consulting, Inc., a recognized and reputable global economic consulting firm which conducted a study on the matter.
- 17. In accordance with the revised RDWR, a proposal has been made to include assets used beyond their standard lives in the RAB at a value equivalent to five (5%) percent of their optimized replacement cost.

Capital Expenditure

- 18. The proposed Capital Expenditure included in the afore-mentioned calculation of the rolled-forward RAB is as follows:

Table 5. Summary of Proposed 5RP Capital Expenditure

|                                       | Capital Expenditures per Regulatory Year (5RP) |                |                |                |
|---------------------------------------|------------------------------------------------|----------------|----------------|----------------|
|                                       | (PhP)                                          |                |                |                |
|                                       | RY2023                                         | RY2024         | RY2025         | RY2026         |
| Nominal Values                        | 37,533,728,331                                 | 43,495,962,814 | 36,373,833,274 | 32,248,981,088 |
| Nominal Values, including CWIP factor | 38,237,239,806                                 | 44,377,877,352 | 37,051,638,283 | 32,820,603,595 |

- 19. The proposed CAPEX projects, following the latest RDWR Position Paper and planning criteria in the ERC’s Investor-Owned Distribution Utility Planning Manual, are necessary to augment the capacity of the network to meet demand growth or new customer requirements; to replace and refurbish aging, and obsolete assets; to relocate assets needed for the implementation of government infrastructure and third-party initiated projects; to purchase and construct non-network assets required for the normal efficient operation of the electric distribution system; to deploy automation and technology projects as well as innovative solutions for various electrification projects; and to comply with regulatory requirements as embodied in the EPIRA, the Philippine Distribution Code, the Philippine Electrical Code, applicable international standards, and other relevant rules and regulations with emphasis on maintaining the integrity, reliability and efficiency of the electric system, and for the continuous improvement in service quality and performance measurement for the benefit of the consumers.
- 20. For the 5RP, MERALCO is likewise proposing the implementation of its Advanced Metering Infrastructure (AMI) Program for more than two (2) million customers aligned with the objective of deploying a reliable, efficient, and intelligent distribution grid.

Operating & Maintenance Expenditure

21. The proposed Operating & Maintenance Expenditures included in the afore-mentioned calculation of the ARR is provided as follows:

Table 6. Summary of Proposed 5RP Operating & Maintenance Expenditure

|               | Operating & Maintenance Expenditures per Regulatory Year (5RP) |                |                |                |
|---------------|----------------------------------------------------------------|----------------|----------------|----------------|
|               | (PhP)                                                          |                |                |                |
|               | Ry2023                                                         | Ry2024         | Ry2025         | Ry2026         |
| Nominal Value | 27,824,450,084                                                 | 28,945,600,321 | 31,006,925,317 | 33,163,987,107 |

22. The proposed Operating and Maintenance expenditures (OPEX) are necessary to: (i) maintain the safety, efficiency and reliability of the distribution network; (ii) support the growing asset base; (iii) allow Applicant to deliver services to its customers and support its business operations including the use of automation and digital technologies; (iv) meet the requirements of Government programs and regulations imposed on the Applicant, and (v) meet the performance targets under the Performance Incentive Scheme. The proposed OPEX will support strong growth prospects for the economy with sustained moderate growth in kWh sales throughout the 5RP. Moreover, additional OPEX is needed, not only to meet service performance levels, but also to ensure that Applicant’s reliability standards are kept at par with other power distribution utilities serving other countries in the Asian region which are the Philippines’ competitors for direct foreign investment. Applicant has to meet customers’ increasingly more stringent requirements, particularly those customers whose output are the main drivers of our economic growth and source of export income.

Taxes other than Corporate Income Tax

23. The proposed expenditure on Taxes, Levies & Duties (other than corporate income tax) included in the afore-mentioned calculation of the ARR is provided as follows:

Table 7. Summary of proposed 5RP Taxes, Levies & Duties (other than Corporate Income Tax) Expenditure

|               | Other Taxes per Regulatory Year (5RP) |             |             |             |
|---------------|---------------------------------------|-------------|-------------|-------------|
|               | (PhP)                                 |             |             |             |
|               | Ry2023                                | Ry2024      | Ry2025      | Ry2026      |
| Nominal Value | 475,701,961                           | 494,637,056 | 513,238,886 | 532,244,663 |

- a. As provided under ERC Resolution No. 2, Series of 2021, the real property taxes for the 5RP are no longer included in the forecast and are recovered in accordance with said resolution.

- b. The above-mentioned proposed taxes, levies & duties (other than corporate income taxes) expenditures show an increase from current levels due to new and additional impositions initiated by various local government units within Applicant's franchise area such as for changes in the schedule of fees and other permits. The forecasts likewise considered the imposition by Local Government Units of regulatory fees on Applicant's poles.

Regulatory Depreciation

24. The proposed Regulatory Depreciation, which includes an allowance for assets intended to be disposed of during the 5RP, after allowing for any potential income from the sales of such disposed assets, is as shown below. The values below include depreciation both on the assets which make up Applicant's RAB at the start of the 5RP and those that Applicant proposes to be acquired during the 5RP. Additionally, depreciation is calculated on a straight-line basis, based on the standard asset lives as approved by the Honorable Commission, where these are available.

Table 8. Summary of proposed Depreciation (per Regulatory Year)

|                                          | R <sup>Y</sup> 2023 | R <sup>Y</sup> 2024 | R <sup>Y</sup> 2025 | R <sup>Y</sup> 2026 |
|------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| Opening asset base                       | 9,302,798,472       | 9,302,798,472       | 8,938,682,990       | 8,582,000,199       |
| Interim assets before regulatory period  | 815,265,859         | 815,265,859         | 815,265,859         | 815,265,859         |
| Assets acquired during regulatory period | 1,631,107,781       | 4,633,642,350       | 7,123,587,786       | 9,259,168,762       |
| Subtotal                                 | 11,749,172,112      | 14,751,706,681      | 16,877,536,635      | 18,656,434,820      |
| plus Disposals                           | 246,545,589         | 315,098,024         | 380,910,799         | 430,892,073         |
| minus Income from Disposals              | (123,272,795)       | (157,549,012)       | (190,455,399)       | (215,446,037)       |
| TOTAL                                    | 11,872,444,906      | 14,909,255,693      | 17,067,992,035      | 18,871,880,857      |

25. Sales of energy, including those to Applicant, are forecasted as follows:

Table 9. Summary of forecast energy consumption (per Regulatory Year)

|                          | R <sup>Y</sup> 2022 | R <sup>Y</sup> 2023 | R <sup>Y</sup> 2024 | R <sup>Y</sup> 2025 | R <sup>Y</sup> 2026 |
|--------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Energy consumption (MWh) | 46,433,106          | 48,489,140          | 49,944,877          | 51,636,283          | 53,526,770          |

26. The estimates of the afore-mentioned energy sales are based on the following forecast of co-incident annual peak demand on the whole distribution network:

Table 10. Summary of forecast peak demand (per Regulatory Year)

|             | R <sup>Y</sup> 2022 | R <sup>Y</sup> 2023 | R <sup>Y</sup> 2024 | R <sup>Y</sup> 2025 | R <sup>Y</sup> 2026 |
|-------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Demand (MW) | 8,311               | 8,570               | 8,839               | 9,204               | 9,558               |

27. The estimated price-path for the 5RP, determined using the proposed ARR and an assumed 0.0310 X-factor and 0.0225 Po-factor, is provided below:

Table 11. Assumed Annual Maximum Average Prices for the Fifth Regulatory Period

|                                   | <div>R<br/>Y</div> <div>2023</div> | <div>R<br/>Y</div> <div>2024</div> | <div>R<br/>Y</div> <div>2025</div> | <div>R<br/>Y</div> <div>2026</div> |
|-----------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Maximum Annual Price<br>(PhP/kWh) | 1.5663                             | 1.5702                             | 1.5695                             | 1.5664                             |

28. The Honorable Commission will determine the actual X factor and Po-factor after its consideration of this Application and the actual price-path after incorporating such amendments to these proposals as the Honorable Commission deems necessary. Moreover, the Honorable Commission may amend one or more of the parameters on which the calculations of the proposed ARR are based. The actual approved price path is therefore likely to differ from that estimated above.
29. Since the Maximum Average Prices (MAP) calculated under PBR are not comparable with unbundled rates, Applicant, for illustrative purposes, has prepared a comparison of its current rates for providing distribution wheeling services with those that would result from the implementation of the aforementioned estimated MAPs, which is presented below:

*(This space is intentionally left blank.)*

Table 12. Comparison of estimated rates with current rates  
(illustrative only)

| Customer Class                                              | MAP | Current   | Illustrative Rates |           |           |           |
|-------------------------------------------------------------|-----|-----------|--------------------|-----------|-----------|-----------|
|                                                             |     | Rates     | 2023               | 2024      | 2025      | 2026      |
|                                                             |     | 1.3810    | 1.5663             | 1.5702    | 1.5695    | 1.5664    |
| <b>Residential &amp; General Service A (RGSA)</b>           |     |           |                    |           |           |           |
| Distribution (Php/kWh)                                      |     |           |                    |           |           |           |
| Up to 200 kWh                                               |     | 1.0012    | 1.1355             | 1.1384    | 1.1379    | 1.1356    |
| 201-300 kWh                                                 |     | 1.3183    | 1.4952             | 1.4989    | 1.4982    | 1.4953    |
| 301-400 kWh                                                 |     | 1.6175    | 1.8345             | 1.8391    | 1.8383    | 1.8347    |
| 401& Over                                                   |     | 2.1387    | 2.4257             | 2.4317    | 2.4306    | 2.4258    |
| Supply (PhP/kWh)                                            |     | 0.5085    | 0.5767             | 0.5782    | 0.5779    | 0.5768    |
| Supply (PhP/Customer/Month)                                 |     | 16.73     | 18.97              | 19.02     | 19.01     | 18.98     |
| Metering (PhP/kWh)                                          |     | 0.3377    | 0.3830             | 0.3840    | 0.3838    | 0.3830    |
| Metering (PhP/Customer/Month)                               |     | 5.00      | 5.67               | 5.69      | 5.68      | 5.67      |
| <b>General Service B (GSB)</b>                              |     |           |                    |           |           |           |
| Distribution (Php/kWh)                                      |     | 0.1368    | 0.1552             | 0.1555    | 0.1555    | 0.1552    |
| Distribution Demand Charge (PhP/kW)                         |     | 237.15    | 268.97             | 269.64    | 269.52    | 268.99    |
| Supply (PhP/Customer/Month)                                 |     | 371.48    | 421.32             | 422.37    | 422.19    | 421.35    |
| Metering (PhP/Customer/Month)                               |     | 362.34    | 410.96             | 411.98    | 411.80    | 410.98    |
| <b>General Power Medium Secondary (GP Med-Sec)</b>          |     |           |                    |           |           |           |
| Distribution (Php/kWh)                                      |     | 0.1368    | 0.1552             | 0.1555    | 0.1555    | 0.1552    |
| Distribution Demand Charge (PhP/kW)                         |     | 237.15    | 268.97             | 269.64    | 269.52    | 268.99    |
| Supply (PhP/Customer/Month)                                 |     | 845.17    | 958.57             | 960.96    | 960.53    | 958.63    |
| Metering (PhP/Customer/Month)                               |     | 849.44    | 963.42             | 965.82    | 965.38    | 963.48    |
| <b>General Power Large Secondary (GP Lrg-Sec)</b>           |     |           |                    |           |           |           |
| Distribution (Php/kWh)                                      |     | 0.1368    | 0.1552             | 0.1555    | 0.1555    | 0.1552    |
| Distribution Demand Charge (PhP/kW)                         |     | 237.15    | 268.97             | 269.64    | 269.52    | 268.99    |
| Supply (PhP/Customer/Month)                                 |     | 3,505.46  | 3,975.82           | 3,985.72  | 3,983.94  | 3,976.07  |
| Metering (PhP/Customer/Month)                               |     | 3,525.12  | 3,998.11           | 4,008.07  | 4,006.28  | 3,998.37  |
| <b>General Power Very Large Secondary (GP Very Lrg-Sec)</b> |     |           |                    |           |           |           |
| Distribution (Php/kWh)                                      |     | 0.1368    | 0.1552             | 0.1555    | 0.1555    | 0.1552    |
| Distribution Demand Charge (PhP/kW)                         |     | 237.15    | 268.97             | 269.64    | 269.52    | 268.99    |
| Supply (PhP/Customer/Month)                                 |     | 12,726.30 | 14,433.89          | 14,469.83 | 14,463.38 | 14,434.81 |
| Metering (PhP/Customer/Month)                               |     | 12,075.11 | 13,695.33          | 13,729.43 | 13,723.31 | 13,696.20 |

|                                                                            |           |           |           |           |           |
|----------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>General Power Medium<br/>13.8 kV &amp; Below (GP-Medium)</b>            |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 845.17    | 958.57    | 960.96    | 960.53    | 958.63    |
| Metering (Php/Customer/Month)                                              | 849.44    | 963.42    | 965.82    | 965.38    | 963.48    |
| <b>General Power Large<br/>13.8 kV &amp; Below (GP Large)</b>              |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 3,505.46  | 3,975.82  | 3,985.72  | 3,983.94  | 3,976.07  |
| Metering (Php/Customer/Month)                                              | 3,525.12  | 3,998.11  | 4,008.07  | 4,006.28  | 3,998.37  |
| <b>General Power Very Large/Extra Large 13.8 kV &amp; Below (GP-VL/XL)</b> |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 12,726.30 | 14,433.89 | 14,469.83 | 14,463.38 | 14,434.81 |
| Metering (Php/Customer/Month)                                              | 12,075.11 | 13,695.33 | 13,729.43 | 13,723.31 | 13,696.20 |
| <b>General Power Medium<br/>34.5 kV &amp; Below (GP-Medium)</b>            |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 845.17    | 958.57    | 960.96    | 960.53    | 958.63    |
| Metering (Php/Customer/Month)                                              | 849.44    | 963.42    | 965.82    | 965.38    | 963.48    |
| <b>General Power Large<br/>34.5 kV &amp; Below (GP Large)</b>              |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 3,505.46  | 3,975.82  | 3,985.72  | 3,983.94  | 3,976.07  |
| Metering (Php/Customer/Month)                                              | 3,525.12  | 3,998.11  | 4,008.07  | 4,006.28  | 3,998.37  |
| <b>General Power Very Large/Extra Large 34.5 kV &amp; Below (GP-VL/XL)</b> |           |           |           |           |           |
| Distribution (Php/kWh)                                                     | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (Php/kW)                                        | 182.66    | 207.17    | 207.68    | 207.59    | 207.18    |
| Supply (Php/Customer/Month)                                                | 12,726.30 | 14,433.89 | 14,469.83 | 14,463.38 | 14,434.81 |
| Metering (Php/Customer/Month)                                              | 12,075.11 | 13,695.33 | 13,729.43 | 13,723.31 | 13,696.20 |

|                                                                                 |           |           |           |           |           |
|---------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|
| <b>General Power Large<br/>115 &amp; 69 kV (GP Large)</b>                       |           |           |           |           |           |
| Distribution (Php/kWh)                                                          | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (PhP/kW)                                             | 143.32    | 162.55    | 162.96    | 162.88    | 162.56    |
| Supply (PhP/Customer/Month)                                                     | 3,505.46  | 3,975.82  | 3,985.72  | 3,983.94  | 3,976.07  |
| Metering (PhP/Customer/Month)                                                   | 3,525.12  | 3,996.11  | 4,008.07  | 4,006.28  | 3,998.37  |
| <b>General Power Very Large/Extra Large 115 &amp; 69 kV (GP-VL/XL)</b>          |           |           |           |           |           |
| Distribution (Php/kWh)                                                          | 0.0513    | 0.0582    | 0.0583    | 0.0583    | 0.0582    |
| Distribution Demand Charge (PhP/kW)                                             | 143.32    | 162.55    | 162.96    | 162.88    | 162.56    |
| Supply (PhP/Customer/Month)                                                     | 12,726.30 | 14,433.89 | 14,469.83 | 14,463.38 | 14,434.81 |
| Metering (PhP/Customer/Month)                                                   | 12,075.11 | 13,695.33 | 13,729.43 | 13,723.31 | 13,696.20 |
| <b>Government Hospitals, Metered Streetlights &amp; Charitable Institutions</b> |           |           |           |           |           |
| Distribution (Php/kWh)                                                          | 0.8667    | 0.9830    | 0.9854    | 0.9850    | 0.9831    |
| Supply (PhP/Customer/Month)                                                     | 278.59    | 315.97    | 316.76    | 316.62    | 315.99    |
| Metering (PhP/Customer/Month)                                                   | 278.46    | 315.82    | 316.61    | 316.47    | 315.84    |
| <b>Flat Streetlights</b>                                                        |           |           |           |           |           |
| Distribution (PhP/lamp)                                                         |           |           |           |           |           |
| 125 W Mercury, 70 W HPS or their Equivalent                                     | 84.34     | 95.66     | 95.89     | 95.85     | 95.66     |
| 250 W Mercury, 150 W HPS or their Equivalent                                    | 134.55    | 152.60    | 152.98    | 152.92    | 152.61    |
| 400 W Mercury, 250 W HPS or their Equivalent                                    | 224.92    | 255.10    | 255.73    | 255.62    | 255.12    |
| HPS or their Equivalent                                                         | 349.43    | 396.32    | 397.30    | 397.13    | 396.34    |
| Supply (PhP/lamp)                                                               |           |           |           |           |           |
| 125 W Mercury, 70 W HPS or their Equivalent                                     | 27.28     | 30.94     | 31.02     | 31.00     | 30.94     |
| 250 W Mercury, 150 W HPS or their Equivalent                                    | 43.52     | 49.36     | 49.48     | 49.46     | 49.36     |
| 400 W Mercury,                                                                  | 72.74     | 82.50     | 82.71     | 82.67     | 82.51     |

|                                                  |        |        |        |        |        |
|--------------------------------------------------|--------|--------|--------|--------|--------|
| 250 WHPS<br>or their<br>Equivalent               |        |        |        |        |        |
| 400 W<br>HPS or<br>their<br>Equivalent           | 113.01 | 128.17 | 128.49 | 128.44 | 128.18 |
| Average PhP/kWh<br>Distribution Wheeling<br>Rate | 1.3810 | 1.5663 | 1.5702 | 1.5695 | 1.5664 |

Performance Incentive Scheme

30. The revised RDWR prescribes the determination of a Price-Linked Performance Incentive Scheme. According to this Performance Incentive Scheme, Applicant will be rewarded if the service performance levels of its electricity distribution business exceed the target levels as proposed and will be penalized if such service performance levels fall below the proposed targets. The proposed Price-Linked Performance Incentive Scheme is based on the performance measures and performance targets shown below. Stepped performance target levels are proposed, which will influence the size of the reward or penalty.

Table 13. Summary of proposed Price-linked Performance Incentive Scheme

| Performance index                                      | Units   | Weight | Reward                                 |                                                                   | Target                                                            | Penalty                                                           |                               |
|--------------------------------------------------------|---------|--------|----------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------------------------------------------|-------------------------------|
|                                                        |         |        | Level A                                | Level B                                                           | Level C                                                           | Level D                                                           | Level E                       |
| System average interruption frequency index (SAIFI)    | Number  | 0.20   | SAIFI is less than or equal to 1.13    | SAIFI is less than or equal to 1.43 but greater than 1.13         | SAIFI is greater than 1.43 but less than or equal to 2.03         | SAIFI is greater than 2.03 but less than or equal to 2.33         | SAIFI is greater than 2.33    |
| System Average Interruption Duration Index (SAIDI)     | Minutes | 0.20   | SAIDI is less than or equal to 131.02  | SAIDI is less than or equal to 157.04 but greater than 131.02     | SAIDI is greater than 157.04 but less than or equal to 209.06     | SAIDI is greater than 209.06 but less than or equal to 235.07     | SAIDI is greater than 235.07  |
| Momentary Average Interruption Frequency Index (MAIFI) | Number  | 0.10   | MAIFI is less than or equal to 6.77    | MAIFI is less than or equal to 7.59 but greater than 6.77         | MAIFI is greater than 7.59 but less than or equal to 9.21         | MAIFI is greater than 9.21 but less than or equal to 10.03        | MAIFI is greater than 10.03   |
| System losses                                          | %       | 0.20   | SL is less than or equal to 6.27%      | SL is less than or equal to 6.50% but greater than 6.27%          | Not Applicable                                                    | Not Applicable                                                    | Not Applicable                |
| Time to Process Applications (TPA)                     | Days    | 0.10   | TPA is less than or equal to 3.40 days | TPA is less than or equal to 3.63 days but greater than 3.40 days | TPA is greater than 3.63 days but less than or equal to 4.10 days | TPA is greater than 4.10 days but less than or equal to 4.33 days | TPA is greater than 4.33 days |
| Time to Connect Premises (TCP)                         | Days    | 0.10   | TCP is less than or equal to 1.65 days | TCP is less than or equal to 1.82 days but greater than 1.65 days | TCP is greater than 1.82 days but less than or equal to 2.16 days | TCP is greater than 2.16 days but less than or equal to 2.33 days | TCP is greater than 2.33 days |

|                               |                                       |      |                                        |                                                             |                                                             |                                                             |                         |
|-------------------------------|---------------------------------------|------|----------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------|
| Call Center Performance (CCP) | % of calls answered within 20 seconds | 0.10 | CCP is greater than or equal to 91.15% | CCP is greater than or equal to 85.58% but less than 91.15% | CCP is greater than or equal to 74.42% but less than 85.58% | CCP is greater than or equal to 68.85% but less than 74.42% | CCP is less than 68.85% |
|-------------------------------|---------------------------------------|------|----------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|-------------------------|

31. Under the revised RDWR, Applicant is likewise required to propose a Guaranteed Service Level Performance Incentive Scheme. This Guaranteed Service Level Scheme will directly compensate customers, in the form of reductions in their monthly electricity bills, if service performance falls below certain minimum thresholds. The thresholds and the penalties that will apply are as shown below:

Table 14. Summary of proposed Guaranteed Service Level Incentive Scheme

| Performance Measure                                                                                                                  | Threshold                      | Payout level (PhP)                                                                            |
|--------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|-----------------------------------------------------------------------------------------------|
| GSL 1: Customer experiencing a cumulative duration of sustained interruptions in a Regulatory Year that exceeds the threshold        | 15 hours                       | Php 1,266.51                                                                                  |
| GSL 2: Customer experiencing a total number of sustained interruptions in a Regulatory Year that exceeds the threshold               | 12 times                       | Php 1,266.51                                                                                  |
| GSL 3: Restoration of supply to a customer after a fault on the secondary distribution network taking longer than the threshold time | 12 hours                       | Php 1,266.51                                                                                  |
| GSL 4: Customer connection not provided on the day agreed with the customer                                                          | 2 days minimum, 5 days maximum | Payout per day – Php 906.17<br>Minimum Payout – Php 1,812.34<br>Maximum Payout – Php 4,530.85 |

- a. In accordance with the revised RDWR, Applicant is entitled to an amount equal to 0.5% of its ARR (excluding any provision for under-/over-recovery, regulatory intervention, or efficiency carry-over from the 3RP), which is intended to be applied to the Guaranteed Service Level Scheme and can be used to either provide for penalties under the scheme, or for network or operational improvements to avoid such penalties.
32. In support of this Application for the approval of its ARR and Performance Incentive Scheme, Applicant has attached the following required documents/schedules as described in the revised RDWR and the Position Paper:

Table 15. Supporting Information Attached

| Schedule | Information provided                                                                                                                                                                                                                                                                                                                                     |
|----------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| A        | Regulatory Asset Base                                                                                                                                                                                                                                                                                                                                    |
| A1       | Explanation on Independent Expert's Report                                                                                                                                                                                                                                                                                                               |
| A2       | Assets forecast to be acquired during the period between the initial Roll Forward RAB valuation date and the start of the Fifth Regulatory Period.                                                                                                                                                                                                       |
| A2.1     | - Schedule of assets to be acquired                                                                                                                                                                                                                                                                                                                      |
| A2.2     | - Justification for assets to be acquired                                                                                                                                                                                                                                                                                                                |
| A3       | Forecast asset disposal during the period between the initial Roll Forward RAB valuation date and the start of the Fifth Regulatory Period.<br><br>- Schedule of assets to be disposed of<br>- Value of the assets to be disposed of<br>- Forecast income from the sale of disposed assets                                                               |
| A4       | Roll Forward depreciation schedules for the RAB for the period between the initial valuation date and the start of the Fifth Regulatory Period, for                                                                                                                                                                                                      |
| A4.1     | - Assets included in the Original RAB                                                                                                                                                                                                                                                                                                                    |
| A4.2     | - Assets acquired in the lead-up to the Fifth Regulatory Period                                                                                                                                                                                                                                                                                          |
| A5       | Historical cost depreciation schedules for the RAB for the period between the initial Roll Forward RAB valuation date and the start of the Fifth Regulatory Period, for<br><br>- Assets included in the Original RAB<br>- Assets acquired in the lead-up to the Fifth Regulatory Period (including those to be completed from January 2022 to June 2022) |
| A6       | Application of the construction work in progress (CWIP) factor to the RAB as at the start of the Fifth Regulatory Period.                                                                                                                                                                                                                                |
| A7       | Summary of the estimated roll forward depreciated replacement cost and the depreciated historical cost of the full RAB as at the start of the Fifth Regulatory Period (the opening value of the rolled-forward RAB).                                                                                                                                     |
| B        | Financial indices forecast for the Fifth Regulatory Period                                                                                                                                                                                                                                                                                               |

|      |                                                                                                                          |
|------|--------------------------------------------------------------------------------------------------------------------------|
| B1   | Philippine quarterly CPI                                                                                                 |
| B2   | United States quarterly CPI                                                                                              |
| B3   | PhP/US\$ quarterly exchange rate                                                                                         |
| B4   | 364-day Treasury Bills                                                                                                   |
| C    | <b>Forecast capital expenditure for the Fifth Regulatory Period</b>                                                      |
| C1   | Summary of capital expenditure forecasts for each year of the Fifth Regulatory Period                                    |
| C1.1 | - Real values, divided in PhP and US\$ components                                                                        |
| C1.2 | - Total real values, in PhP                                                                                              |
| C1.3 | - Total nominal values, in PhP                                                                                           |
| C1.4 | - Total nominal values with CWIP, PhP                                                                                    |
| C1.5 | - Justification for capital expenditure (Annex A for major and Annex B for residual projects)                            |
| C2   | Summary of capital expenditure projects filed from RY2016 to RY2022 to be commissioned within the 5RP (capex carry-over) |
| C2.1 | - Real values, divided in PhP and US\$ components                                                                        |
| C2.2 | - Total real values, in PhP                                                                                              |
| C2.3 | - Total nominal values, in PhP                                                                                           |
| C2.4 | - Total nominal values with CWIP, in PhP                                                                                 |
| C2.5 | - Justification for CAPEX carry-over                                                                                     |
| C3   | Broken down historical capital expenditure                                                                               |
| D    | <b>Forecast disposals during the Fifth Regulatory Period</b>                                                             |
| D1   | Value of assets to be disposed of (based on roll forward register)                                                       |
| D2   | Forecast income from the sale of disposed assets                                                                         |
| E    | <b>Forecast depreciation during the Fifth Regulatory Period</b>                                                          |
| E1   | Depreciation of the opening asset base                                                                                   |
| E2   | Depreciation of the assets forecast to be acquired during the Fifth Regulatory Period                                    |
| F    | <b>Forecast assets used beyond standard lives</b>                                                                        |
|      | Forecast addition to assets used beyond standard lives                                                                   |
|      | Forecast removal from assets used beyond standard lives                                                                  |
| G    | <b>Forecast operating &amp; maintenance expenditure</b>                                                                  |
| G1   | Summary of forecast operating & maintenance expenditure                                                                  |
| G1.1 |                                                                                                                          |

|        |                                                                                                                                                                                                                                              |
|--------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| G1.2   | - Annual expenditure, divided in real PhP and US\$ components                                                                                                                                                                                |
| G1.2.1 | - Annual expenditure, in real PhP                                                                                                                                                                                                            |
|        | - Annual expenditure, in real 2019 PhP                                                                                                                                                                                                       |
| G1.3   |                                                                                                                                                                                                                                              |
| G1.4   | - Annual expenditure, in nominal PhP                                                                                                                                                                                                         |
|        | - Justification for operating & maintenance expenditure forecasts                                                                                                                                                                            |
| G2     |                                                                                                                                                                                                                                              |
| G3     | Historical operating & maintenance expenditure                                                                                                                                                                                               |
|        | Summary of expenditure on taxes (other than corporate income tax), duties and levies                                                                                                                                                         |
| G3.1   |                                                                                                                                                                                                                                              |
| G3.2   | - Annual expenditure, in real PhP                                                                                                                                                                                                            |
| G3.3   | - Annual expenditure, in nominal PhP                                                                                                                                                                                                         |
| G3.4   | - Justification for expenditure                                                                                                                                                                                                              |
|        | - Historical taxes, levies & duties                                                                                                                                                                                                          |
| H      | Forecast energy consumption and demand                                                                                                                                                                                                       |
| H1     | Forecast energy consumption figures (kWh)                                                                                                                                                                                                    |
| H1.1   | - Breakdown of consumption figures into customer classes                                                                                                                                                                                     |
| H1.2   | - Supporting evidence                                                                                                                                                                                                                        |
| H2     | Forecast energy demand figures (MW)                                                                                                                                                                                                          |
| H3     | Forecast number of customers, per customer class                                                                                                                                                                                             |
| I      | Carry-overs from the Third Regulatory Period                                                                                                                                                                                                 |
| I1     | Under- or over recovery of revenue to which the regulated entity was entitled in terms of the RDWR, but was unable to recover or return during the Third Regulatory Period                                                                   |
| I2     | Regulatory interventions applied by the Commission in its Final Determination on the price-control arrangements that would apply to the electricity distribution wheeling rates for the regulated entity during the Fifth Regulatory Period. |
| I3     | Efficiency carry-over as described in Article IX of the RDWR                                                                                                                                                                                 |
| J      | Proposed Regulatory WACC for the Fifth Regulatory Period                                                                                                                                                                                     |
| K      | Proposed Working Capital                                                                                                                                                                                                                     |
| L      | Proposed Construction Work in Progress (CWIP) Factor                                                                                                                                                                                         |
| M      | Performance incentive scheme details                                                                                                                                                                                                         |
| M1     | Price-linked incentive scheme, including supporting information & calculations                                                                                                                                                               |
| M1.1   | - Details of scheme proposed                                                                                                                                                                                                                 |
| M1.2   | - Proposed target levels                                                                                                                                                                                                                     |

|      |                                                                                                                                                                                                                                                                                                                       |
|------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| M1.3 | - Actual performance levels against the proposed indices for the five years prior to this Application                                                                                                                                                                                                                 |
| M2   | Guaranteed service level scheme, including supporting information & calculations                                                                                                                                                                                                                                      |
| M2.1 | - Details of scheme proposed                                                                                                                                                                                                                                                                                          |
| M2.2 | - Proposed target levels                                                                                                                                                                                                                                                                                              |
| M2.3 | - Actual performance levels against the proposed indices for the five years prior to this Application                                                                                                                                                                                                                 |
| M2.4 | - Proposed payout levels                                                                                                                                                                                                                                                                                              |
| N    | <b>Additional information for price-cap model</b>                                                                                                                                                                                                                                                                     |
| N1   | Contact details for input sheets                                                                                                                                                                                                                                                                                      |
| O    | <b>Detailed calculations for Fifth Regulatory Period</b>                                                                                                                                                                                                                                                              |
| O-1  | <ul style="list-style-type: none"> <li>- Rolled Forward RAB for the Fifth Regulatory Period</li> <li>- Annual Revenue Requirement (completed Price Cap Model)</li> <li>- Corporate income tax forecasts</li> <li>- Forecast price-caps for the opening and subsequent years of the Fifth Regulatory Period</li> </ul> |
| P    | <b>Calculation of demonstrative rates</b>                                                                                                                                                                                                                                                                             |
| Q    | <b>Overview of performance of the network and the utility during the past five (5) years and Proposals for the Fifth Regulatory Period</b>                                                                                                                                                                            |

33. Applicant also hereby submits an overview of its actual performance during the past five (5) years and its proposal for the 5RP.
34. Considering the foregoing, Applicant most respectfully prays for the approval of this Application to allow it to fulfill its obligations under PBR and to ensure its continued reliable and efficient operations and provision of its services to the public, in general, and its customers, in particular.

#### PRAYER

WHEREFORE, premises considered, Applicant MANILA ELECTRIC COMPANY most respectfully prays, after due notice and hearing, that the instant Application be approved authorizing Applicant to adopt the proposed Annual Revenue Requirement and Performance Incentive Scheme for the Fifth Regulatory Period.

Applicant MERALCO prays for such other relief as are deemed just and equitable under the premises.

Finding the said *Application* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>6</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):<sup>7</sup>

| Date                                                                                | Platform                   | Activity                                                                                                 |
|-------------------------------------------------------------------------------------|----------------------------|----------------------------------------------------------------------------------------------------------|
| <b>26 April 2022</b><br>(Tuesday) at nine o'clock<br>in the morning (9:00<br>A.M.)  | <b>Microsoft<br/>Teams</b> | Determination of<br>compliance with the<br>jurisdictional<br>requirements and<br>expository presentation |
| <b>28 April 2022</b><br>(Thursday) at nine<br>o'clock in the morning<br>(9:00 A.M.) | <b>Microsoft<br/>Teams</b> | Pre-trial Conference<br>and presentation of<br>evidence                                                  |

**RELATIVE THERETO**, MERALCO is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* in two (2) newspapers of nationwide 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, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governors, the Mayors and the Local Government Unit (LGU) legislative bodies within MERALCO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within MERALCO's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;

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<sup>6</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

<sup>7</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing*, 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 and attend the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to the resolution of the prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.<sup>8</sup>

Within five (5) calendar days prior to the date of the initial virtual hearing, MERALCO must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked, the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit of the Editors or Business Managers of the newspaper where the said *Notice of Virtual Hearing* was published, and the complete issue of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by MERALCO to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;

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<sup>8</sup> For the e-mail address of the applicant, please see page 26.

- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, MERALCO is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Governors, Mayors, and Local Legislative Bodies, and to submit proof of its posting thereof.

MERALCO and all interested parties are also required to submit to the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor, which should also be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

MERALCO must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of MERALCO to comply with the above requirements 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 the said date of cancellation.

MERALCO must also be prepared to make an expository presentation of the instant *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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

MERALCO is hereby directed to file a copy of its Expository Presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. MERALCO shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

MERALCO is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

*(This space is intentionally left blank.)*

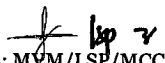
Finally, MERALCO, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**SO ORDERED.**

Pasig City, 24 March 2022.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: MVM/LSP/MCCG



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**ORDER/24 MARCH 2022**  
**PAGE 26 OF 36**

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Copy Furnished:

1. Manila Electric Company (MERALCO)  
*Applicant*  
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3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City  
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4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City  
[citizensdesk@coa.gov.ph](mailto:citizensdesk@coa.gov.ph)
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City  
[senateenergycommittee@gmail.com](mailto:senateenergycommittee@gmail.com)
6. House Committee on Energy  
Batasan Hills, Quezon City  
[committee.energy@house.gov.ph](mailto:committee.energy@house.gov.ph)
7. Regulatory Operations Service  
Energy Regulatory Commission  
Pacific Center Building, San Miguel Avenue, Pasig City  
[ros@erc.ph](mailto:ros@erc.ph)
8. Office of the City Mayor  
City of Caloocan
9. Office of the Local Government Unit (LGU) Legislative Body  
City of Caloocan
10. Office of the City Mayor  
City of Las Pinas
11. Office of the Local Government Unit (LGU) Legislative Body  
City of Las Pinas
12. Office of the City Mayor  
City of Makati
13. Office of the Local Government Unit (LGU) Legislative Body  
City of Makati
14. Office of the City Mayor  
City of Malabon
15. Office of the Local Government Unit (LGU) Legislative Body  
City of Malabon
16. Office of the City Mayor  
City of Mandaluyong
17. Office of the Local Government Unit (LGU) Legislative Body  
City of Mandaluyong
18. Office of the City Mayor  
City of Manila
19. Office of the Local Government Unit (LGU) Legislative Body  
City of Manila

- 20. Office of the City Mayor  
City of Marikina
- 21. Office of the Local Government Unit (LGU) Legislative Body  
City of Marikina
- 22. Office of the City Mayor  
City of Muntinlupa
- 23. Office of the Local Government Unit (LGU) Legislative Body  
City of Muntinlupa
- 24. Office of the City Mayor  
City of Navotas
- 25. Office of the Local Government Unit (LGU) Legislative Body  
City of Navotas
- 26. Office of the City Mayor  
City of Paranaque
- 27. Office of the Local Government Unit (LGU) Legislative Body  
City of Paranaque
- 28. Office of the City Mayor  
City of Pasay
- 29. Office of the Local Government Unit (LGU) Legislative Body  
City of Pasay
- 30. Office of the City Mayor  
City of Pasig
- 31. Office of the Local Government Unit (LGU) Legislative Body  
City of Pasig
- 32. Office of the Municipal Mayor  
Municipality of Pateros
- 33. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Pateros
- 34. Office of the City Mayor  
City of Quezon
- 35. Office of the Local Government Unit (LGU) Legislative Body  
City of Quezon
- 36. Office of the City Mayor  
City of San Juan
- 37. Office of the Local Government Unit (LGU) Legislative Body  
City of San Juan
- 38. Office of the City Mayor  
City of Taguig
- 39. Office of the Local Government Unit (LGU) Legislative Body  
City of Taguig
- 40. Office of the City Mayor  
City of Valenzuela
- 41. Office of the Local Government Unit (LGU) Legislative Body  
City of Valenzuela
- 42. Office of the Mayor  
Angat, Bulacan
- 43. Office of the Local Government Unit (LGU) Legislative Body  
Angat, Bulacan
- 44. Office of the Mayor  
Balagtas, Bulacan

45. Office of the Local Government Unit (LGU) Legislative Body  
Balagtas, Bulacan
46. Office of the Mayor  
Baliwag, Bulacan
47. Office of the Local Government Unit (LGU) Legislative Body  
Baliwag, Bulacan
48. Office of the Mayor  
Bocaue, Bulacan
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Bulacan, Bulacan
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Bulcan, Bulacan
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Bustos, Bulacan
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Bustos, Bulacan
54. Office of the Mayor  
Calumpit, Bulacan
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Calumpit, Bulacan
56. Office of the Mayor  
Dona Remedios Trinidad, Bulacan
57. Office of the Local Government Unit (LGU) Legislative Body  
Dona Remedios Trinidad, Bulacan
58. Office of the Mayor  
Guiguinto, Bulacan
59. Office of the Local Government Unit (LGU) Legislative Body  
Guiguinto, Bulacan
60. Office of the Mayor  
Hagonoy, Bulacan
61. Office of the Local Government Unit (LGU) Legislative Body  
Hagonoy, Bulacan
62. Office of the City Mayor  
Malolos, Bulacan
63. Office of the Local Government Unit (LGU) Legislative Body  
Malolos, Bulacan
64. Office of the Mayor  
Marilao, Bulacan
65. Office of the Local Government Unit (LGU) Legislative Body  
Marilao, Bulacan
66. Office of the City Mayor  
Meycauayan, Bulacan
67. Office of the Local Government Unit (LGU) Legislative Body  
Meycauayan, Bulacan
68. Office of the Mayor  
Norzagaray, Bulacan
69. Office of the Local Government Unit (LGU) Legislative Body

Norzagaray, Bulacan

70. Office of the Mayor  
Obando, Bulacan
71. Office of the Local Government Unit (LGU) Legislative Body  
Obando, Bulacan
72. Office of the Mayor  
Pandi, Bulacan
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Pandi, Bulacan
74. Office of the Mayor  
Paombong, Bulacan
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San Ildefonso, Bulacan
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San Ildefonso, Bulacan
82. Office of the City Mayor  
San Jose del Monte, Bulacan
83. Office of the Local Government Unit (LGU) Legislative Body  
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84. Office of the Mayor  
San Miguel, Bulacan
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San Rafael, Bulacan
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Sta. Maria, Bulacan
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Alfonso, Cavite
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92. Office of the Mayor  
Amadeo, Cavite
93. Office of the Local Government Unit (LGU) Legislative Body  
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- 94. Office of the Mayor  
Bacoor, Cavite
- 95. Office of the Local Government Unit (LGU) Legislative Body  
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- 96. Office of the Mayor  
Carmona, Cavite
- 97. Office of the Local Government Unit (LGU) Legislative Body  
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- 98. Office of the Mayor  
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- 99. Office of the Local Government Unit (LGU) Legislative Body  
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- 100. Office of the Mayor  
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- 101. Office of the Local Government Unit (LGU) Legislative Body  
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- 102. Office of the Mayor  
General Emilio Aguinaldo, Cavite
- 103. Office of the Local Government Unit (LGU) Legislative Body  
General Emilio Aguinaldo, Cavite
- 104. Office of the Mayor  
General Mariano Alvarez, Cavite
- 105. Office of the Local Government Unit (LGU) Legislative Body  
General Mariano Alvarez, Cavite
- 106. Office of the Mayor  
General Trias, Cavite
- 107. Office of the Local Government Unit (LGU) Legislative Body  
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- 108. Office of the Mayor  
Imus, Cavite
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- 110. Office of the Mayor  
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- 112. Office of the Mayor  
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- 113. Office of the Local Government Unit (LGU) Legislative Body  
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- 114. Office of the Mayor  
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- 116. Office of the Mayor  
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- 119. Office of the Local Government Unit (LGU) Legislative Body  
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- 120. Office of the Mayor  
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- 121. Office of the Local Government Unit (LGU) Legislative Body  
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- 136. Office of the Mayor  
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- 137. Office of the Local Government Unit (LGU) Legislative Body  
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- 138. Office of the Mayor  
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- 140. Office of the Mayor  
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- 141. Office of the Local Government Unit (LGU) Legislative Body  
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- 142. Office of the Mayor  
Binangonan, Rizal

- 143. Office of the Local Government Unit (LGU) Legislative Body  
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- 144. Office of the Mayor  
Cainta, Rizal
- 145. Office of the Local Government Unit (LGU) Legislative Body  
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- 146. Office of the Mayor  
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- 148. Office of the Mayor  
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- 160. Office of the Mayor  
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- 161. Office of the Local Government Unit (LGU) Legislative Body  
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- 162. Office of the Mayor  
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- 163. Office of the Local Government Unit (LGU) Legislative Body  
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- 164. Office of the Mayor  
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- 165. Office of the Local Government Unit (LGU) Legislative Body  
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- 166. Office of the Mayor  
San Pascual, Batangas
- 167. Office of the Local Government Unit (LGU) Legislative Body  
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- 168. Office of the Mayor  
Sto. Tomas, Batangas
- 169. Office of the Local Government Unit (LGU) Legislative Body  
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- 170. Office of the Mayor  
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- 171. Office of the Local Government Unit (LGU) Legislative Body  
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- 172. Office of the Mayor  
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- 182. Office of the Mayor  
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- 184. Office of the Mayor  
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- 186. Office of the Mayor  
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- 187. Office of the Local Government Unit (LGU) Legislative Body  
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- 188. Office of the Mayor  
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- 189. Office of the Local Government Unit (LGU) Legislative Body  
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- 190. Office of the Mayor  
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- 191. Office of the Local Government Unit (LGU) Legislative Body  
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195. Office of the Local Government Unit (LGU) Legislative Body  
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196. Office of the Mayor  
Rizal, Laguna
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San Pablo, Laguna
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San Pedro, Laguna
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Sta. Cruz, Laguna
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Sta. Rosa, Laguna
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Sta. Rosa, Laguna
206. Office of the Mayor  
Victoria, Laguna
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Victoria, Laguna
208. Office of the Mayor  
Candelaria, Quezon
209. Office of the Local Government Unit (LGU) Legislative Body  
Candelaria, Quezon
210. Office of the Mayor  
Dolores, Quezon
211. Office of the Local Government Unit (LGU) Legislative Body  
Dolores, Quezon
212. Office of the Mayor  
Lucban, Quezon
213. Office of the Local Government Unit (LGU) Legislative Body  
Lucban, Quezon
214. Office of the Mayor  
Lucena, Quezon
215. Office of the Local Government Unit (LGU) Legislative Body  
Lucena, Quezon
216. Office of the Mayor  
Mauban, Quezon

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217. Office of the Local Government Unit (LGU) Legislative Body  
Mauban, Quezon
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Pagbilao, Quezon
219. Office of the Local Government Unit (LGU) Legislative Body  
Pagbilao Quezon
220. Office of the Mayor  
Sampaloc, Quezon
221. Office of the Local Government Unit (LGU) Legislative Body  
Sampaloc, Quezon
222. Office of the Mayor  
San Antonio, Quezon
223. Office of the Local Government Unit (LGU) Legislative Body  
San Antonio, Quezon
224. Office of the Mayor  
Sariaya, Quezon
225. Office of the Local Government Unit (LGU) Legislative Body  
Sariaya, Quezon
226. Office of the Mayor  
Tayabas, Quezon
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Tayabas, Quezon
228. Office of the Mayor  
Tiaong, Quezon
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Tiaong, Quezon
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Apalit, Pampanga
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Apalit, Pampanga
232. Office of the Mayor  
Candaba, Pampanga
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Candaba, Pampanga
234. Office of the Mayor  
San Simon, Pampanga
235. Office of the Local Government Unit (LGU) Legislative Body  
San Simon, Pampanga
236. Office of the Governor  
Province of Bulacan
237. Office of the Local Government Unit (LGU) Legislative Body  
Province of Bulacan
238. Office of the Governor  
Province of Cavite
239. Office of the Local Government Unit (LGU) Legislative Body  
Province of Cavite
240. Office of the Governor  
Province of Rizal

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- 241. Office of the Local Government Unit (LGU) Legislative Body  
Province of Rizal
- 242. Office of the Governor  
Province of Batangas
- 243. Office of the Local Government Unit (LGU) Legislative Body  
Province of Batangas
- 244. Office of the Governor  
Province of Laguna
- 245. Office of the Local Government Unit (LGU) Legislative Body  
Province of Laguna
- 246. Office of the Governor  
Province of Quezon
- 247. Office of the Local Government Unit (LGU) Legislative Body  
Province of Quezon
- 248. Office of the Governor  
Province of Pampanga
- 249. Office of the Local Government Unit (LGU) Legislative Body  
Province of Pampanga