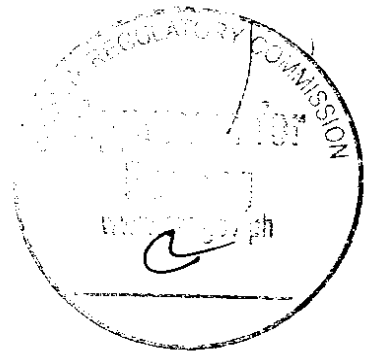


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
 San Miguel Avenue, Pasig City



IN THE MATTER OF THE  
 APPLICATION FOR APPROVAL FOR  
 RATE ADJUSTMENTS IN  
 ACCORDANCE WITH THE  
 PROVISIONS OF R.A. 9136, WITH  
 PRAYER FOR ISSUANCE OF  
 PROVISIONAL AUTHORITY

ERC CASE NO. 2010-090 RC

ROMBLON ELECTRIC COOPERATIVE,  
 INC. (ROMELCO),

Applicant.

X ----- X

DOCKETED  
 Date: JAN 30 2012  
 By: *[Signature]*

**DECISION**

**1. RECITAL OF FACTS**

Before the Commission for resolution is the application filed on July 23, 2010 by Romblon Electric Cooperative, Incorporated (ROMELCO) for approval of its rate adjustments in accordance with the provisions of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, with prayer for issuance of provisional authority.

Summarized below are the proposed charges per customer class of ROMELCO:

	CUSTOMER CLASS					
	Residential	Commercial	Industrial	Public Bldg	Street Lights	Special Lights
<b>Distribution Charge</b>						
Demand Charge (PhP/kW)	-	-	-	-	-	-
Distribution Charge (PhP/kWh)	2.4917	1.2287	1.4922	1.2624	1.4982	1.9531
<b>Supply Charge</b>						
Retail Customer Charge (PhP/Cust/Mo)	-	40.5100	40.5100	40.5100	40.5100	40.5100
Supply System Charge (PhP/kWh)	0.7717	-	-	-	-	-
<b>Metering Charge</b>						
Retail Meter Charge (PhP/Cust/Mo)	5.0000	85.9900	384.9000	58.5100	51.6700	70.4600
Metering System Charge (PhP/kWh)	0.9921	-	-	-	-	-

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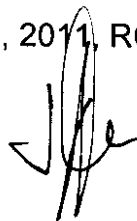
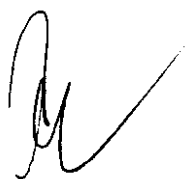
Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated December 20, 2010, were issued setting the same for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on February 11, 2011.

In the same Order, ROMELCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the scheduled date of the initial hearing. It was also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearing thereon.

The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the attached Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the aforesaid initial hearing.

Likewise, the Offices of the Mayors of the Municipalities within the franchise area of ROMELCO and the Provincial Governor of Romblon were furnished with copies of the said Order and Notice of Public Hearing, for the appropriate posting thereof on their respective bulletin boards.

On February 11, 2011, ROMELCO filed its "Pre-Trial Brief for Applicant".



During the hearing on the same date, only ROMELCO appeared. No intervenor/oppositor appeared nor there was any intervention/opposition registered.

In the said hearing, ROMELCO presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "H-7", inclusive. Thereafter, it conducted an expository presentation of its application.

Subsequently, ROMELCO presented the following witnesses:  
a) Ms. Betty D. Corong, its Finance Manager, who testified, among others, on the financial aspect of the application; and b) Mr. Rene M. Fajilagutan, its General Manager, who testified, among others, on the capital expenditure and reinvestment fund of ROMELCO. In the course of their direct examinations, the witnesses identified various documents in support of the application. Said documents were duly marked as exhibits.

The direct examinations of the said witnesses having been terminated, the Commission propounded clarificatory questions.

On March 11, 2011, ROMELCO filed its "Formal Offer of Evidence" which is hereby admitted for being relevant and material to the resolution of this application.



## 2. THE APPLICATION

### 2.1 PROPOSED REVENUE REQUIREMENT BASED ON TEST YEAR 2008

On the basis of its Audited Financial Statement (AFS) for the year 2008 using the Cash Base Methodology under the Uniform Filing Requirements (UFR), ROMELCO proposed a revenue requirement of Twenty-Nine Million Three Hundred Thirty-Seven Thousand Five Hundred Seventy-Seven Pesos (PhP29,337,577.00) as shown in Table 1 below:

**TABLE 1. ROMELCO'S PROPOSED REVENUE REQUIREMENT**

<b>ACCOUNT NAME</b>	<b>Per 2008 Audited Financial Statement (PhP)</b>	<b>Adjustments (PhP)</b>	<b>Per Application (PhP)</b>
Payroll	6,619,562	1,768,139	8,387,701
Operation & Maintenance (Less Purchase Power and Payroll)	10,924,057	1,017,239	11,941,296
Debt Service	897,128	338,627	1,235,755
Less: Other Revenue Items (ORI)	(1,029,740)	0	(1,029,740)
Add : Reinvestment Fund	8,802,565	0	8,802,565
<b>Total Revenue Requirement</b>	<b>26,213,572</b>	<b>3,124,005</b>	<b>29,337,577</b>

ROMELCO's revenue requirement as determined from its 2008 AFS of Twenty-Six Million Two Hundred Thirteen Thousand Five Hundred Seventy-Two Pesos (PhP26,213,572.00) was adjusted by Three Million One Hundred Twenty-Four Thousand Five Pesos (PhP3,124,005.00) for the following reasons:

- a. Payroll Expense was increased based on its existing plantilla and National Electrification Administration (NEA) Approved Reorganization dated December 2, 2008 with corresponding budget approval. The adjustment was based on NEA Approved Salary Scale dated October 1, 2008 but was implemented only in February 2009;

- b. Operation and Maintenance Expenses were adjusted to include increase in prices for operation of gasoline and diesel used for the transportation and expenses incurred for operation and maintenance of distribution system as a whole, for consumers and general activities to give an efficient, quality and timely services; and
- c. Debt Service was increased net of loans condoned by the Power Sector Assets and Liabilities Management Corporation (PSALM) together with the loan payments due to NEA as of December 31, 2008. The Debt Service also included amortization for Calamity Loan availed and due in 2009.

**2.2 COMPARISON OF ROMELCO'S PROPOSED AND EXISTING RATES**

ROMELCO proposed the following rates and compared it with the existing to provide the estimated impact on different customer classes:

**TABLE 2. COMPARISON OF ROMELCO'S PROPOSED AND EXISTING RATES**

Customer Class	Proposed Rates	Existing Rates	Difference
<b>Residential</b>			
Distribution PhP/kWh	2.4917	1.4841	1.0076
Supply PhP/kWh	0.7717	0.6191	0.1526
Metering PhP/kWh	5.0000	5.0000	0.0000
Metering PhP/Meter/Mo	0.9921	0.3810	0.6111
Loan Condo PhP/kWh	0.0000	(0.2463)	0.2463
Total PhP/kWh	4.2555	2.2379	2.0176
Total PhP/Meter/Mo.	5.0000	5.0000	0.0000
<b>Commercial</b>			
Distribution PhP/kWh	1.2287	0.9770	0.2517
Supply PhP/Cust/Mo	40.5100	35.6100	4.9000
Metering PhP/Meter/Mo	85.9900	27.0800	58.9100
Loan Condo PhP/kWh	0.0000	(0.1232)	0.1232
PhP/Cust/Mo	0.0000	(1.8933)	1.8933
Total PhP/kWh	1.2287	0.8538	0.3749
Total PhP/Cust./Mo.	40.5100	33.7200	6.8000
Total PhP/Meter/Mo.	85.9900	27.0800	58.9100

<b>Industrial</b>				
Distribution	PhP/kW	0.0000	0.0000	0.0000
	PhP/kWh	1.4922	0.8664	0.6258
Supply	PhP/Cust/Mo	40.5100	35.6100	4.9000
Metering	PhP/Meter/Mo	384.9000	47.7800	337.1200
Loan Condo	PhP/kWh	0.0000	(0.1032)	0.1032
	PhP/Cust/Mo	0.0000	(3.2202)	3.2202
Total PhP/kW		0.0000	0.0000	0.0000
Total PhP/kWh		1.4922	0.7632	0.7290
Total PhP/Cust./Mo.		40.5100	32.3900	8.1200
Total PhP/Meter/Mo.		384.9000	47.7800	337.1200
<b>Public Buildings</b>				
Distribution	PhP/kWh	1.2624	0.9921	0.2703
Supply	PhP/Cust/Mo	40.5100	35.6100	4.9000
Metering	PhP/Meter/Mo	58.5100	27.0800	31.4300
Loan Condo	PhP/kWh	0.0000	(0.1258)	0.1258
	PhP/Cust/Mo	0.0000	(1.8933)	1.8933
Total PhP/kWh		1.2624	0.8663	0.3961
Total PhP/Cust./Mo.		40.5100	33.7200	6.8000
Total PhP/Meter/Mo.		58.5100	27.0800	31.4300
<b>Street Lights</b>				
Distribution	PhP/kWh	1.4982	1.3252	0.1730
Supply	PhP/Cust/Mo	40.5100	17.0700	23.4400
Metering	PhP/Meter/Mo	51.6700	0.0000	51.6700
Loan Condo	PhP/kWh	0.0000	(0.2185)	0.2185
	PhP/Cust/Mo	0.0000	0.0000	0.0000
Total PhP/kWh		1.4892	1.1067	0.3915
Total PhP/Cust./Mo.		40.5100	17.0700	23.4400
Total PhP/Meter/Mo.		51.6700	0.0000	51.6700
<b>Special Lights</b>				
Distribution	PhP/kWh	1.9531	1.5537	0.3994
Supply	PhP/Cust/Mo	40.5100	35.6100	4.9024
Metering	PhP/Meter/Mo	70.4600	27.0800	43.3800
Loan Condo	PhP/kWh	0.0000	(0.2261)	0.2261
	PhP/Cust/Mo	0.0000	(1.8933)	1.8933
Total PhP/kWh		1.9531	1.3276	0.6255
Total PhP/Cust./Mo.		40.5100	33.7200	6.8000
Total PhP/Meter/Mo.		70.4600	27.0800	43.3800

### 2.3 PROPOSED LIFELINE RATE DISCOUNTS AND SUBSIDY

ROMELCO proposed a lifeline rate discount for its marginalized end-users based on test year 2008 frequency distribution of the kWh consumption of Residential Customers, to wit:

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**TABLE 3. ROMELCO'S PROPOSED LIFELINE RATE DISCOUNTS AND SUBSIDY**

kWh Consumption	Per Approved Unbundled Rates	Proposed in this Rate Application
	Level of Discount	
0 -15 kWh	30%	30%
16 kWh	25%	25%
17 kWh	20%	20%
18 kWh	15%	15%
19 kWh	10%	10%
20 kWh	5%	5%
<b>Subsidy Charge to Non-lifeline Customers</b>	<b>PhP0.0769/kWh</b>	<b>PhP0.0769/kWh</b>

ROMELCO did not propose a new lifeline level of consumption. It adopted the Commission's Guidelines for the calculation of over or under recovery in the implementation of lifeline rates.

### 3. DISCUSSION

#### 3.1 REVENUE REQUIREMENT

In the December 29, 2003 Order in ERC Case No. 2001-953 (In the Matter of the Application for Approval of the Unbundled Rates Pursuant to the Provisions of Republic Act No. 9136 - ROMELCO, Applicant), the Commission approved a revenue requirement of PhP11,429,137.00 (exclusive of purchase power) for ROMELCO.

Using the Cash Base Methodology under the UFR and based on 2008 test year, ROMELCO proposed a total revenue requirement of Twenty-Nine Million Three Hundred Thirty-Seven Thousand Five Hundred Seventy-Seven Pesos (PhP29,337,577.00).

ROMELCO submitted its AFS for 2008 as well as other documents to support its application

The Commission made a downward adjustment of PhP8,930,910.00 and approves the amount of Twenty Million Four Hundred Six Thousand Six Hundred Sixty-Seven Pesos (PhP20,406,667.00) for ROMELCO's revenue requirement as detailed in the following table. The Commission's position is discussed in seriatim.

**TABLE 4. SUMMARY OF REVENUE REQUIREMENT**

Account Name		Commission Approved Revenue Requirement Per Unbundling (PhP)	Applicant's Proposed Revenue Requirement (PhP)	Commission Adjustments (PhP)	Commission Approved Revenue Requirement (PhP)
3.1.1	Payroll	3,229,592	8,387,701	(747,081)	7,640,620
3.1.2	Operation & Maintenance	5,481,048	11,941,296	(4,154,588)	7,786,708
3.1.3	Debt Service	1,129,520	1,235,755	1,015,881	2,251,636
3.1.4	Reinvestment Fund	1,720,515	8,802,565	(4,965,265)	3,837,300
3.1.5	Other Revenue Items (ORI)	(131,538)	(1,029,740)	(79,857)	(1,109,597)
<b>Total Revenue Requirement</b>		<b>11,429,137</b>	<b>29,337,577</b>	<b>(8,930,910)</b>	<b>20,406,667</b>

**3.1.1 PAYROLL EXPENSE**

ROMELCO proposed a Payroll Expense of PhP8,387,701.00. This includes the following: a) Basic Salaries; b) Employer's Share in Social Security System (SSS); c) Employer's Share in PAG-IBIG; d) Employer's Share in Philippine Health Insurance Corporation (Philhealth); e) 13<sup>th</sup> Month Pay; and f) Overtime Pay. This is a 159.71% increase from the PhP3,229,592.00 approved by the Commission in its rate unbundling application.

ROMELCO claimed that said increase in its Payroll Expense was based on its existing plantilla and the implementation of the NEA Approved Reorganization dated December 2, 2008.

The Commission finds the salary adjustments pursuant to the said NEA Salary Guide in order as well as the calculations of the corresponding employer's shares in the SSS, PAG-IBIG Premiums and Philhealth Premiums. It considered 38 filled-up positions (regular employees) and 13 casual employees. The disallowance of PhP747,081.00 represents the excess in the basic salary of casual/probationary employees, 13<sup>th</sup> Month Pay, SSS, PAG-IBIG Premiums, Philhealth Premiums and Overtime Pay.

In view of the foregoing, the Commission approves a Payroll Expense of Seven Million Six Hundred Forty Thousand Six Hundred Twenty Pesos (PhP7,640,620.00).

### **3.1.2 OPERATION AND MAINTENANCE (O & M) EXPENSES**

ROMELCO proposed an operation and maintenance (O & M) expense of PhP11,941,296.00 based on 2008 data.

In general, O & M expenses are those recurring expenditures in the course of normal business of providing distribution service. These expenses must be legitimate, necessary, prudent and reasonable.

"Reasonable cost" is the cost of goods and services which may not necessarily be the lowest in price but needs to be incurred with consideration of



quality, efficiency, reliability and security of the service delivered by the distribution utility. Prudence dictates that the utility should ensure that its purchases of goods and services are at their minimum, without sacrificing the quality of the service rendered.

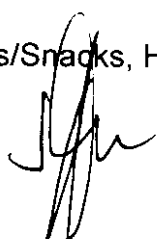
The Commission noted that ROMELCO's proposed O & M expenses included expenditures relating to employees' benefits in the amount of PhP4,191,951.00.

Of the said amount, the Commission disallowed those in excess of the allowable level, not necessary in the operation and those which are required to be sourced from savings in the amount of PhP1,611,109.00, such as:

- a. Excess in Allowances, Pensions and Benefits of Officers and Employees;
- b. BODs Meals/Snacks;
- c. Seminar Award to Management Course;
- d. Excess in 13<sup>th</sup> Month Pay of the General Manager; and
- e. Unaccounted Salaries and Wages.

From the balance of PhP7,794,345.00, the Commission disallowed expenses which are not recoverable from the rates in the amount of PhP2,543,479.00, such as:

- a. Salaries of Laborers – Typhoon Frank;
- b. Professional Fee and Consultancy Fee of the Legal Counsel;
- c. Visitors Meals/Snacks, Hotel Accommodation and Souvenirs;




- d. Inclusion of Lifeline Subsidy;
- e. Medicine for Injured Employees – Maintenance of Transformers;
- f. Solicitations;
- g. Property Insurance and Permit Fees;
- h. Gasoline – Maintenance of Line;
- i. Hauling;
- j. Audit Fee; and
- k. Hire Tricycle – Typhoon

In view of the foregoing, the Commission's total downward adjustments amount to PhP4,154,588.00 from the proposed level of PhP11,941,296.00 resulting to an adjusted operations and maintenance expense of Seven Million Seven Hundred Eighty-Six Thousand Seven Hundred Eight Pesos (PhP7,786,708.00).

### **3.1.3 DEBT SERVICE**

ROMELCO proposed an amount of PhP1,235,755.00 for its debt service, representing the cost of amortizing the remaining NEA loans not condoned by PSALM together with the new loans acquired after June 26, 2001 amounting to PhP897,128.00 and also including the adjustment on the additional loan from NEA amounting to PhP338,627.00.

The Commission made an adjustment to ROMELCO's proposed Debt Service in the amount of PhP1,015,881.00 representing corrected amortizations for the calamity loan.




The Commission has verified its NEA loans to be in order and approves the amount of Two Million Two Hundred Fifty-One Thousand Six Hundred Thirty-Six Pesos (PhP2,251,636.00) for ROMELCO's Debt Service.

#### **3.1.4 REINVESTMENT FUND**

ROMELCO proposed a reinvestment fund of PhP8,802,565.00 to be used to fully electrify its franchise area, extend its distribution lines to the remaining unenergized barangays located in the far-flung areas and carry out the installation as well as rehabilitation of existing distribution lines. It calculated its Reinvestment Fund based on the estimated amortization of its financial obligations.

In the unbundling of rates of the ECs, the Commission allowed a reinvestment fund equivalent to 5% of the Gross Revenue. The reinvestment fund was provided as a component of the revenue requirement to finance the expansion, rehabilitation or upgrading of the existing electric power system of the ECs in accordance with their submitted System Rehabilitation/Upgrading and/or System Loss Reduction Plans.

The Commission considered the resetting of the 5% reinvestment fund provided in ROMELCO's rate unbundling by calculating the 5% of the summation of its calculated Distribution Revenue Requirement and its updated Power Cost for the year 2011. Said resetting is required to reflect ROMELCO's most current power cost and billing determinants considering that the rates to be authorized herein will be applied prospectively.



Thus, the Commission grants ROMELCO a reinvestment fund of Three Million Eight Hundred Thirty-Seven Thousand Three Hundred Pesos (PhP3,837,300.00).

The Commission reiterates that the reinvestment fund is intended not to cover 100% of the cost of the capital expenditures. It is envisaged that capital expenditures can be prudently financed through long-term debt the amortization of which shall be funded by the reinvestment fund.

The reinvestment fund shall be subject to the following conditions:

- a) It shall not be used, even temporarily, for any purpose other than for capital expenditure or any other projects approved by the Commission;
- b) The amounts collected shall be recognized as contribution from member-consumers;
- c) The amounts collected, including interest income, shall be placed in a separate account and shall be disbursed solely for the aforesaid purpose; and
- d) An annual report of the collections and disbursements shall be submitted using the format prescribed by the Commission.

### 3.1.5 OTHER REVENUE ITEMS (ORI)

The Other Revenue Items proposed to be deducted from ROMELCO's revenue requirement amount to PhP1,029,740.00 representing fifty percent (50%) of regulated and non-regulated other revenues as reflected in its AFS for the year 2008.



During the unbundling process, the Commission only considered as other revenue income those known as asset-based items or revenues pertaining to non-electric activities which are not regulated by it. Fifty percent (50%) of the income from these items will still be considered as part of the ORI to be deducted from the total revenue requirement, consistent with the law mandating the 50-50 sharing of other income between the distribution utility (DU) and the consumers.

On the other hand, the Commission maintains that the other revenue income earned by the DU using the resources of its regulated business or those known as regulated items should be 100% deductible from its revenue requirement. Regulated items may include revenues arising from the regular functions of the DU and performed by its own personnel. The costs of said activity, such as salaries, supplies and other miscellaneous expenses, are already considered in the revenue requirement in either the payroll or operation and maintenance expenses or both. Thus, any income derived by the DU from said services should be deducted from its revenue requirement, otherwise, it would be doubly compensated for such activities.

The Commission has verified the total amount of One Million One Hundred Nine Thousand Five Hundred Ninety-Seven Pesos (PhP1,109,597.00) as other revenues to be deducted from ROMELCO's revenue requirement, as follows:

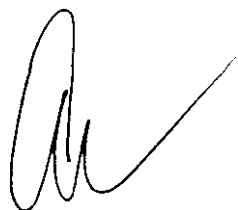


TABLE 5. OTHER REVENUE ITEMS

<b>OTHER REVENUE ITEMS</b>	<b>Amount (PhP)</b>
<b>Regulated Items</b>	
Account Initiation, Reconnection, Meter Test	315,323.00
Service Drop Wire, Tap Connector	164,152.00
Inspection Fee	55,173.00
<b>@ 100%</b>	<b>534,648.00</b>
<b>Asset-based/Non-Regulated Items</b>	
Rent from Electric Property – Poles, Transformer	66,002.00
Surcharge for Late Payment	1,083,896.00
	<b>1,149,898.00</b>
<b>@ 50% of the above</b>	<b>574,949.00</b>
<b>Total ORI</b>	<b>1,109,597.00</b>

### 3.2 FUNCTIONALIZATION, CLASSIFICATION AND CUSTOMER ALLOCATION

#### 3.2.1 FUNCTIONALIZATION AND ALLOCATION FACTORS

The functionalization and allocation factors used by ROMELCO were the default factors provided for in the UFR issued by the Commission on October 30, 2001 as amended in its unbundling Decision.

The Commission sees no cogent reason to deviate from the existing functionalization and allocation factors as contained in the UFR.

#### 3.2.2 SUMMARY OF RESULTING REVENUES PER FUNCTION AND PER CLASS AND CORRESPONDING BILLING DETERMINANTS

Based on the functionalization, classification and allocation of the approved revenue requirement for ROMELCO, Table 6 below provides the allocated revenue by function and customer category:



**TABLE 6. REVENUE REQUIREMENT BY FUNCTION AND BY CUSTOMER CLASS**

CUSTOMER CLASS	TOTAL REVENUE (PhP)	DISTRIBUTION RELATED REVENUE (PhP)	SUPPLY RELATED REVENUE (PhP)	METERING RELATED REVENUE (PhP)
Residential	16,376,887	8,587,513	3,278,500	4,510,874
Commercial	1,822,927	1,182,117	269,713	371,097
Industrial	204,842	199,254	2,352	3,236
Public Building	1,217,716	955,037	133,288	183,391
Street Lights	127,881	99,007	12,153	16,721
Special Lights	602,414	437,201	58,804	106,409
<b>TOTAL</b>	<b>20,406,667</b>	<b>11,460,129</b>	<b>3,754,810</b>	<b>5,191,728</b>

**TABLE 7. BILLING DETERMINANTS BY CUSTOMER CLASS**

Customer Type	Residential	Commercial	Industrial	Public Building	Street Lights	Special Lights	TOTAL
kWh Sales	5,357,299	1,538,279	226,413	1,090,858	79,269	367,282	8,659,400
No. of Customers	8,363	688	6	340	31	150	9,578

### 3.3 RATE DESIGN

The above functionalization, classification and customer allocation resulted to the following rate design:

**TABLE 8. COMMISSION DETERMINED RATE SCHEDULE**

Customer Type	Unit	Residential	Commercial	Industrial	Public Building	Street Lights	Special Lights
<b>Distribution Charges:</b>							
Demand Charge	PhP/kW	-	-	-	-	-	-
Distribution System Charge	PhP/kWh	1.6030	0.7685	0.8800	0.8755	1.2490	1.1904
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo	-	32.6700	32.6700	32.6700	32.6700	32.6700
Supply System Charge	PhP/kWh	0.6120	-	-	-	-	-
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.0000	44.9500	44.9500	44.9500	44.9500	59.1200
Metering System Charge	PhP/kWh	0.7483	-	-	-	-	-

### 3.3.1 DISTRIBUTION CHARGE

ROMELCO proposed to bill a distribution charge based on a fixed rate per kiloWatt-hour for all end-users.

The Commission adopted said rate design since it is consistent with the approved unbundled rates for ROMELCO.

### 3.3.2 SUPPLY CHARGE

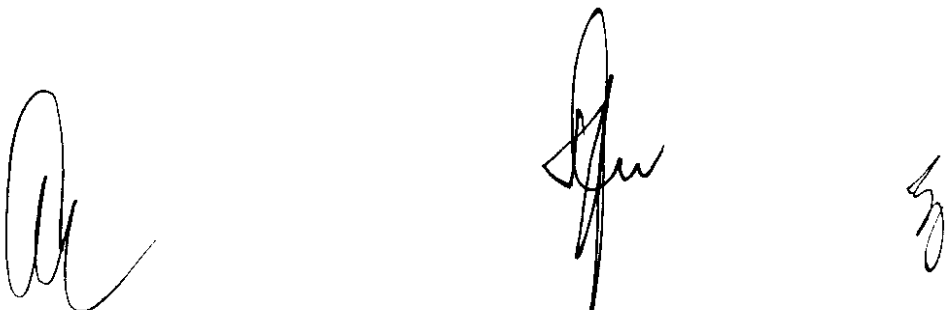
ROMELCO proposed to bill a supply charge using a monthly rate per kiloWatt-hour for Residential customers. All other end-users shall be billed a fixed monthly customer charge for the supply function.

The Commission adopted said rate design since it is consistent with its approved unbundled rates for ROMELCO.

### 3.3.3 METERING CHARGE

ROMELCO proposed to bill a metering charge based on a fixed monthly rate per meter for all its customer classes except Residential which will be billed using a combination of a fixed monthly rate per meter of PhP5.00 and a fixed monthly rate per kilowatt-hour (PhP/kWh).

The Commission adopted said rate design with modification because it is still consistent with its approved unbundled rates for ROMELCO.



**3.4 ESTIMATED IMPACT ON AVERAGE RESIDENTIAL CUSTOMER**

Shown below is the estimated impact of the rates determined by the Commission on the monthly bill of a Residential end-user with an average consumption of 85 kWh:

**TABLE 9. ESTIMATED IMPACT ON AVERAGE CONSUMPTION OF RESIDENTIAL CUSTOMER**

Basic Charges	Based on Actual Existing Rates		Based on Commission Approved Rates		VARIANCE Increase/ (Decrease)
	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)	PhP/kWh
Distribution System Charge	1.4841	126.15	1.6030	136.26	0.1189
Supply Charge	0.6191	52.62	0.6120	52.02	(0.0071)
Metering Charges:					
Retail Metered Charge	-	5.00	-	5.00	-
Metering System Charge	0.3810	32.39	0.7483	63.61	0.3673
Loan Condonation	(0.2463)	(20.94)	-	-	0.2463
<b>TOTAL</b>	-	<b>195.22</b>	-	<b>256.89</b>	<b>61.67</b>
<b>Effective PhP/kWh</b>	-	<b>2.2967</b>	-	<b>3.0221</b>	<b>0.7254</b>

**3.5 REMOVAL OF INTER-CLASS CROSS SUBSIDY**

In its Order dated March 31, 2006 under ERC Case No. 2001-953, the Commission directed ROMELCO to remove one-fourth (1/4) of its inter-class cross subsidies effective May 2006. Thereafter, it was directed to correspondingly remove another one-fourth (1/4) effective the May 2007 billing, May 2008 billing and May 2009 billing.

The Commission has determined that ROMELCO has already completely removed its inter-class cross subsidy as of April 2009.

### 3.6 LIFELINE RATE DISCOUNT AND SUBSIDY

ROMELCO proposed the same lifeline rate discount levels in its approved unbundled rate, to wit:

TABLE 10. ROMELCO'S PROPOSAL

kWh Consumption	Level of Discount
0 - 15 kWh	30%
16 kWh	25%
17 kWh	20%
18 kWh	15%
19 kWh	10%
20 kWh	5%

ROMELCO claimed that the number of end-users that will benefit from the Lifeline Rate discount represents thirty-six percent (36%) of the total number of Residential consumers, while the kWh consumption represents only 4% of the total kWh sales for the month.

The Commission believes that a one (1) kWh difference in consumption between consumers is not a relevant indication of any difference in their capacity to pay their electric bill and is not compelling justification for the difference in discount level.

Thus, the Commission has revised the Lifeline Rate Discount and Subsidy for ROMELCO, as shown in the following table:



TABLE 11. LIFELINE RATE DISCOUNT AND SUBSIDY

kWh Consumption	Level of Discount		
	Per Approved Unbundled Rates	Proposed in this Rate Application	Commission Approved Lifeline Discount Level
0 -15 kWh	30%	30%	25%
16 kWh	25%	25%	20%
17 kWh	20%	20%	20%
18 kWh	15%	15%	20%
19 kWh	10%	10%	20%
20 kWh	5%	5%	20%
<b>Subsidy Charge to Non-lifeline Customers</b>	<b>PhP0.0769/kWh</b>	<b>PhP0.0769/kWh</b>	<b>PhP0.0758/kWh</b>

Said consumption threshold and discounts will benefit 3,061 customers, or thirty point fifteen percent (30.15%) of the total number of Residential customers. The resulting lifeline subsidy charge to be shouldered by the non-lifeline customers shall be PhP0.0758/kWh.

ROMELCO shall apply these discounts to the following Residential charges: Generation, Transmission, Distribution, Supply, Metering and System Loss. In a given billing period, an end-user at any of the above-consumption levels shall be given the corresponding discount on each of these rate components. An end-user with a level of consumption exceeding 20 kWh in a particular billing period shall not be entitled to the lifeline rate discount for the said period.

The lifeline rate subsidy shall be shouldered by all non-lifeline end-users of ROMELCO.

**WHEREFORE**, the foregoing premises considered, the application for approval for rate adjustments in accordance with the provisions of Republic Act No. 9136 (R.A. 9136), with prayer for issuance of provisional authority, filed by Romblon Electric Cooperative, Inc. (ROMELCO) is hereby **APPROVED** with modification.

ROMELCO is hereby granted a Total Revenue Requirement of **Twenty Million Four Hundred Six Thousand and Six Hundred Sixty-Seven Pesos (PhP20,406,667.00)** equivalent to an overall average rate adjustment of **PhP0.4663/kWh** on its total Distribution, Supply and Metering Charges. The corresponding Rate Schedule is shown below:

**TABLE 12. RATE SCHEDULE**

Customer Type	Unit	Residential	Commercial	Industrial	Public Building	Street Lights	Special Lights
<b>Distribution Charges:</b>							
Demand Charge	PhP/kW	-	-	-	-	-	-
Distribution System Charge	PhP/kWh	1.6030	0.7685	0.8800	0.8755	1.2490	1.1904
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo		32.6700	32.6700	32.6700	32.6700	32.6700
Supply System Charge	PhP/kWh	0.6120	-	-	-	-	-
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.0000	44.9500	44.9500	44.9500	44.9500	59.1200
Metering System Charge	PhP/kWh	0.7483	-	-	-	-	-

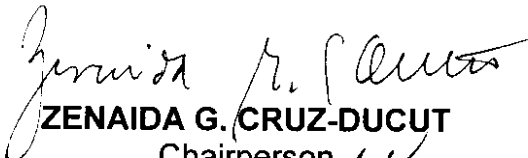
Residential customers with consumption of 15 kWh and below shall be given a Lifeline Rate Discount of 25% while those consuming 16-20 kWh shall be extended a discount of 20%. All customers that are not eligible for Lifeline Rate Discount shall bear the Lifeline Rate Subsidy.

The said Rate Schedule is effective on the next billing cycle from receipt hereof.

Finally, the Reinvestment Fund of PhP0.4431/kWh, for all intents and purposes, shall be part of the contribution from the member-consumers.

**SO ORDERED.**

Pasig City, December 19, 2011.

  
**ZENAIDA G. CRUZ-DUCUT**  
Chairperson *of the*

  
**MARIA TERESA A. B. CASTAÑEDA**  
Commissioner

  
**JOSE C. REYES**  
Commissioner

  
**ALFREDO J. NON**  
Commissioner

  
**GLORIA VICTORIA C. YAP-TARUC**  
Commissioner

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