

OTHER REVENUE ITEMS	Approved by Provisional Authority	Amount (PhP)	Approved by Final Authority	Amount (PhP)
<b>Regulated Items</b>		<b>Amount (PhP)</b>		<b>Amount (PhP)</b>
Reconnection Fees	20,169		20,169	
Inspection Maintenance	357,928		357,928	
Other Operating Fees	63,630		63,630	
Transformer Rental	1,599,594		1,599,594	
*Construction Labor Charge			2,979,556	
Transformer Loss Charge			1,697,810	
@100%			6,718,688	6,718,688
<b>Asset-based Items</b>				
Pole Rental	6,336		6,336	
Multi Purpose Bldg. Rental	6,000		6,000	
*Construction Labor Charge	2,979,556			
Staging Income			693,813	
Penalties			909,190	
Sales-Scrapped Materials			11,110	
@50%	5,033,213		1,626,449	813,225
<b>Total ORI</b>		<b>2,516,607</b>		<b>7,531,913</b>

\*previously considered as asset based item in the PA but was reclassified as regulated items for the final authority

In order to determine the reasonableness of the ORI, for the test year 2004, the Commission used CEBECO I's 4-year ORI historical data to determine its average ORI. A comparison made between the 2004 ORI and the average ORI showed that the average ORI was higher. Thus, the Commission considered the proposed ORI the same being within the normal range of CEBECO I's historical ORI.

Also in the PA, only 50% of CEBECO I's asset based revenues was deducted from the ORI. The Commission deemed that CEBECO I's income pertaining to its regulated function as reflected in the above table should be deducted from its revenue requirements.

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As for the income reflected as Construction Labor Charge, the same was considered in the PA as asset based item of which 50% was deducted. However, records disclosed that the same was earned by CEBECO I as payment for building telecommunication structures for Globe and Smart using its employees whose salaries were already accounted for in its revenue requirements. An analysis of CEBECO I's related historical figures revealed that for the last four (4) years or so, it has been earning said income under the same arrangement. The Commission treated this as income under Regulated Items which should be 100% deductible.

Thus, on top of that provisionally approved, the Commission incorporated an additional ORI of PhP5,015,000.00 (rounded off) or a total ORI of PhP 7,532,000.00 (rounded off ) will be excluded or deducted from the revenue requirement of CEBECO I for purposes of the final determination of its rates.

#### Capex Fund

CEBECO I maintained that an amount of approximately PhP516,000,000.00 is needed to implement its five (5) year Distribution Development Plan (DDP) as its current Reinvestment Fund (5% of its Gross Revenue) is insufficient to finance all the projects contained in the said DDP.

Assuming that the proposed PhP516 Million CAPEX projects will be funded through a loan, CEBECO I will incur an annual amortization of PhP57 Million Pesos based on a 14% per annum interest rate and fifteen (15) years payment period. CEBECO I, however, included only PhP54 Million Pesos in its rate application representing 30% of its proposed revenue requirement.

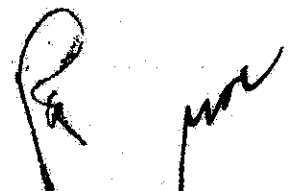
In the PA, the Commission considered only the amount of CAPEX fund equivalent to the level of reinvestment fund approved in CEBECO I's unbundled rates in the amount of PhP18,845,000.00 pending the approval of its CAPEX application under ERC Case No. 2006-120 MC.

The Commission disallowed the inclusion of the amortization of the loan in the 5-year DDP for the following reasons:

1. Some projects under the 5-year DDP as well as the corresponding costs as proposed by CEBECO I are not yet approved by the Commission;
2. The total cost of the 5-year DDP is equivalent to about 130% of its 2004 total cost of assets, although the latter is at book cost;
3. The PhP54,353,000.00 amortization cost, if granted, would have an average impact of PhP0.4544/kWh in the existing rate of CEBECO I; and
4. The amount of CAPEX fund being proposed is only projected, hence, in conflict with the principle of historical test year.

The Commission noted that CEBECO I's two (2) proposed CAPEX Projects were already approved for funding with a CAPEX allowance of PhP18 Million (equivalent to 5% of its Reinvestment Fund).

The Commission, thus, allowed CEBECO I a CAPEX fund in the amount of PhP23,738,000.00 representing 5% of the total revenue requirement, inclusive of the power cost.



**FUNCTIONALIZATION CLASSIFICATION AND CUSTOMER ALLOCATION**

The functionalization and allocation factors adopted by CEBECO I were consistent with the UFR. Thus, the Commission finds no cogent reason to deviate therefrom.

**Proposed Changes in Customer Classification**

CEBECO I proposed to replace the Industrial Customer class with the General Power Customer class in its current customer classes. The General Power customer class will comprise CEBECO I's existing 73 customers using a 3-phase voltage levels and will be classified as such in order to have a uniform demand charge rate. They will be metered both at the secondary and primary voltage levels.

Below are the proposed rates for the newly classified General Power Customers:

Customer Class	System	Primary	Secondary	Other
<b>Residential</b> Demand - 4.58 Energy - 1,848 Customer Charge - 1.00	0.79	2.14	1.76	0.97
<b>Commercial</b> Demand - 78.77 Energy - 31,760 Customer Charge - 1.00	0.38	1.50	1.34	0.96
<b>Industrial</b> Demand - 81.00 Energy - 7,400 Customer Charge - 1.00	0.73	1.59	1.59	0.86
<b>Public Building</b> Demand - 9.42 Energy - 3,800 Customer Charge - 1.00	0.60	1.14	1.53	0.93

CEBECO I's General Power customers will be served with an exclusive supply of power different from the common distribution system. The cost of the metering equipment and the transformer itself shall be different compared with its previous classification which was merely based on the occupancy or type of business. Due to the usage of their load, the 3-phase customers cannot be supplied with a single transformer but must be connected to a 3-phase line. If the 3-phase customers will be allowed to connect to the single phase line, this will affect the quality of supply to the other customers because, with their load requirements, they will be needing a lot from the common distribution system. CEBECO I will still maintain its six (6) customer classes.

The fact that the benefit of an exclusive supply is being made available to these 3-phase customers warrant their re-classification to General Power class, with the end in view that all 3-phase customers currently belonging to different classes will eventually have the same rates and corresponding demand charges.

The Commission found the re-classification of Industrial Customer class into General Power Customer class reasonable, it being consistent with its policy on real cost based rates.

#### **SUMMARY OF RESULTING REVENUES PER FUNCTION PER CLASS**

Based on the functionalization, classification and allocation of the revenue requirement of CEBECO I, the table below provides the following revenues by function and customer category:


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CUSTOMER CLASS	TOTAL REVENUE	DISBURSEMENT RELATED REVENUE	SUPPLY RELATED REVENUE	MAINTENANCE RELATED REVENUE
Residential	52,198	33,067	11,198	7,933
Commercial	21,265	13,536	1,860	5,869
General Power	5,195	4,775	16	404
Public Buildings	4,188	2,600	382	1,206
Street Light	819	727	49	43
Large Load	2,880	2,256	0	624
<b>TOTAL</b>	<b>86,545</b>	<b>56,961</b>	<b>13,505</b>	<b>16,079</b>

**RATE DESIGN**

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

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Customer Type	Residential	Commercial	Public Building	General Power	Large Power	Street Lights	Other
<b>PROPOSED RATES:</b>							
<b>Distribution Charges:</b>							
Demand Charge	PhP/KW			19.90			165.83
Distribution System Charge	PhP/kWh	1.4620	1.4925	1.2621	1.1068	1.1974	0.2086
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo		32.18	32.16	32.16	32.16	32.16
Supply System Charge	PhP/kWh	0.4330					
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.00	101.19	791.65	101.18	101.18	44,612.11
Metering System Charge	PhP/kWh	0.2385					
Loan Condonation	PhP/kWh						
<b>TOTAL</b>	PhP/Kw			19.80			165.83
	PhP/kWh	2.1336	1.4925	1.2621	1.1066	1.1974	0.2086
	PhP/cust/mo.		32.16	32.16	32.16	32.16	32.16
	PhP/meter/mo.	5.00	101.19	791.65	181.18	181.18	44,612.11
<b>PER CEBECO I Provisional Authority</b>							
<b>Distribution Charges:</b>							
Demand Charge	PhP/KW			50.00			116.67
Distribution System Charge	PhP/kWh	0.6329	0.5046	1.4414	0.5635	0.9130	
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo		15.32	15.32	15.32	15.32	15.32
Supply System Charge	PhP/kWh	0.2062					
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.00	49.09	384.18	49.09	49.09	21,643.27
Metering System Charge	PhP/kWh	0.0810					
Loan Condonation	PhP/cust/mo.						
<b>TOTAL</b>	PhP/Kw			50.08			116.67
	PhP/kWh	0.9201	0.5046	1.4414	0.5635	0.9130	
	PhP/cust/mo.		15.32	15.32	15.32	15.32	15.32
	PhP/meter/mo.	5.00	49.09	384.16	49.09	49.09	21,643.27
<b>FINAL AUTHORITY</b>							
<b>Distribution Charges:</b>							
Demand Charge	PhP/KW			18.80			139.37
Distribution System Charge	PhP/kWh	0.7432	0.7606	0.5892	0.5639	0.8328	
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo		18.89	18.69	18.69	18.69	18.69
Supply System Charge	PhP/kWh	0.2517					
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.00	22.31	22.31	22.31	22.31	22.31
Metering System Charge	PhP/kWh	0.2331					
Loan Condonation	PhP/kWh						
<b>TOTAL</b>	PhP/Kw			18.80			139.37
	PhP/kWh	1.2280	0.7606	0.5892	0.5639	0.8328	
	PhP/cust/mo.		18.89	18.69	18.69	18.69	18.69
	PhP/meter/mo.	5.00	22.31	22.31	22.31	22.31	22.31
<b>VARIANCE : INCREASE/(DECREASE) Final Authority versus Proposed Rates</b>							
<b>TOTAL</b>	PhP/KW			0			(26.46)
	PhP/kWh	0.9056	(0.7318)	(8.6728)	(8.5427)	(0.5648)	(6.2086)
	PhP/cust/mo.	8.00	(13.47)	(13.47)	(13.47)	(13.47)	(13.47)
	PhP/meter/mo.	0.80	(78.87)	(769.54)	(78.87)	(76.87)	(44,588.80)
<b>VARIANCE: INCREASE/(DECREASE) Final Authority versus Provisional Authority</b>							
<b>TOTAL</b>	PhP/KW			(30.28)			20.70
	PhP/kWh	8.3879	0.2558	(0.6522)	(0.0296)	(0.2804)	
	PhP/cust/mo.	8.00	3.37	3.37	3.37	3.37	3.37
	PhP/meter/mo.	0.80	(26.78)	(361.85)	(26.78)	(26.78)	21,620.96

1. Distribution Charge

CEBECO I proposed to bill its Residential, Commercial, Public Building, and Street Lights with distribution charges on a fixed rate per kilowatt-hour. For its General Power customers, CEBECO I proposed to bill a distribution charge using a combination of fixed rate per kiloWatt (kW) and per kiloWatt-hour (kWh) while for its Large Load customers, CEBECO I opted to retain its fixed rate per



The Commission adopted the rate design for supply charge because this is consistent with the approved unbundled rates of CEBECO I.

**ESTIMATED IMPACT ON AVERAGE RESIDENTIAL CUSTOMER**

Shown below is a comparison between the estimated impacts of all the adjustments on the revenue requirement on the monthly bill of an average residential end-user (consuming 68 kWh per month) using CEBECO I's existing rates as of June 2007 and the rates determined by the Commission:

	Based on Unbundling		Based on P.A.		Based on Proposed Final Rate	
	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)
Distribution System Charge	0.6584	44.7712	0.6329	43.04	0.7432	50.54
Supply Charge	0.2727	18.5436	0.2062	14.02	0.2517	17.12
Metering Charges						
Retail Metered Charge		5.00		5.00		5.00
Metering System Charge	0.2082	14.1576	0.0810	5.51	0.2331	15.85
Final Loan Condonation Rate	(0.2904)	(19.7472)				
<b>TOTAL (PhP)</b>		<b>62.73</b>		<b>67.57</b>		<b>88.51</b>
<b>VARIANCE (PhP/kWh)</b>		<b>0.3791</b>		<b>0.3079</b>		

**OTHER RELATED ITEMS**

**1. Removal of Cross-subsidy**

Pursuant to the Commission's Order dated April 14, 2005 in ERC Case No. 2001-959, Re: In the Matter of the Application for Approval of the Unbundled Rates Pursuant to the Provisions of Republic Act No. 9136, directing CEBECO I to completely remove its inter-class cross subsidies, said inter-class subsidies were completely removed as of May 2005 based on the submitted sample bills.

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CEBECO I 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 specified corresponding discount on each of these rate components. An end-user with a level of consumption exceeding twenty (20) kWh in a particular billing period shall not be entitled to any discounted lifeline rate for said period.

The cost of subsidy to lifeline end-users shall be passed on to all non-lifeline end-users. For CEBECO I, the lifeline discounts will result in a Lifeline Rate Subsidy by other end-users equivalent to PhP0.0519/kWh.

#### **OTHER CHARGES**

CEBECO I proposed to include the following legitimate Other Charges as part of its other services:

1. *Permanent Charges* – to be included as part of the customer's monthly bill subject to the duly approved formula of the Commission, i.e. Wage Adjustment Clause for Substantial Wage Increases, and Tax Recovery Clause;
2. *Conditional Charges* - to be included in the monthly bill of the customer based on the use of the subject equipment, i.e. Transformer Rental and Core Loss;
3. *Temporary Charges* – to be included in the monthly bill until permanently liquidated, i.e. kiloWatt-hour Meter Deposit, Tampering Charges, and Surcharges; and
4. *Non-Recurring Rates* – include, among others, Line Construction Charges, Account Initiation Charge, Service Call Charge and Surcharge for Delinquent Payment.

The Commission disallowed the said proposed Other Charges pending determination of a new rate making methodology to be adopted for the ECs.

**WHEREFORE**, the foregoing premises considered, the application for the approval of the rate adjustments in accordance with the provisions of R.A. 9136 filed by Cebu I Electric Cooperative, Inc. (CEBECO I) is hereby **APPROVED** with modification.

CEBECO I is hereby granted a Total Revenue Requirement of **PhP86,545,000.00** equivalent to an average rate adjustment of **PhP 0.3513/kWh**:

**RATE SCHEDULE**

Customer Type	Residential	Commercial	General Power	Public Building	Street Light	Other
<b>Distribution Charges:</b>						
Demand Charge	PhP/KW		19.80			139.37
Distribution System Charge	PhP/kWh	0.7432	0.5892	0.5639	0.6326	
<b>Supply Charges:</b>						
Retail Customer Charge	PhP/cust/mo		18.69	18.69	18.69	18.69
Supply System Charge	PhP/kWh	0.2517				
<b>Metering Charges:</b>						
Retail Customer Charge	PhP/Meter/mo	5.00	22.31	22.31	22.31	22.31
Metering System Charge	PhP/kWh	0.2331				
<b>Universal Charge:</b>						
Missionary Electrification	PhP/kWh	0.0373	0.0373	0.0373	0.0373	0.0373
Environmental Charge	PhP/kWh	0.0025	0.0025	0.0025	0.0025	0.0025
<b>Lifeline Rate (Discount)/ Subsidy</b>	PhP/kWh	0.0519	0.0519	0.0519	0.0519	0.0519

Maximum lifeline level : 20 kWh  
 Maximum % of Discount : 50%  
 Subsidy to Non-lifeline Customers : PhP.0519/kWh

CEBECO I is hereby authorized to collect from its customers the difference between the provisional and final rates approved herein.

Relative thereto, CEBECO I is hereby directed to submit to the Commission, within fifteen (15) days from receipt hereof, its calculation of the total amount to be collected and the proposed period within which to collect said amount from its customers.

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The above rate schedule is effective on the next billing cycle from receipt hereof.

Finally, considering that the capital reinvestment fund comes from the member-consumers of CEBECO I, the same should be recorded as their patronage capital.

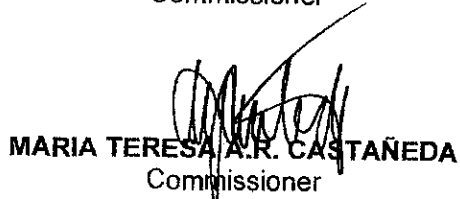
**SO ORDERED.**

Pasig City, January 9, 2008.

  
**RODOLFO B. ALBANO, JR.**  
Chairman

  
**RAUF A. TAN**  
Commissioner

  
**ALEJANDRO Z. BARIN**  
Commissioner

  
**MARIA TERESA A.R. CASTAÑEDA**  
Commissioner

  
**JOSE C. REYES**  
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