

In the same vein, the Commission shall provide a reinvestment fund equivalent to 5% of PANELCO I's gross revenue for 2007 to finance its Commission-approved capital expenditures. While the test year for this application is 2006, the Commission used 2007 for the reinvestment fund to provide a bigger amount considering its capital expenditure needs.

Thus, the Commission grants PANELCO I a Reinvestment Fund of Twenty Million One Hundred Ninety-Eight Thousand Five Hundred Eighty-Two Pesos (PhP20,198,582.00).

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 for the reinvestment fund shall be recognized as contribution from member-consumers;
- c) The amounts collected for the reinvestment fund, 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 of the reinvestment fund shall be submitted using the format prescribed by the Commission.

### 3.1.5 OTHER REVENUE ITEMS (ORI)

The amount of other revenue items proposed to be deducted from PANELCO I's revenue requirement was PhP2,143,845.00 representing one hundred percent (100%) of rentals and other Non-Operating Income.

During the unbundling process, the Commission only considered as other revenue income what is known as asset-based items or revenues pertaining to non-electric other revenues and are not regulated by the ERC. 50% of the income from these asset-based 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.

In addition, there is other revenue income earned by the DU using resources of its regulated business or those known as regulated items. The Commission maintains that this should be 100% deductible from DU's revenue requirement. Regulated items may include revenues arising from regular functions of the DU and performed by the DU's own personnel like reconnection, calibration and inspection. The cost of said activity, such as salaries, supplies and other miscellaneous expenses, are already considered in the revenue requirements in either the payroll, operation and maintenance expenses or both. Thus, any income derived by the DU from said activities should be deducted from

its revenue requirement, otherwise, the DU would be doubly compensated for such activities.

The Commission has verified the total amount of Seven Million Six Hundred Eighty-One Thousand Eight Hundred Five Pesos (Php7,681,805.00) of other revenues to be deducted from PANELCO I's revenue requirements, as follows:

TABLE 5. OTHER REVENUE ITEMS

OTHER REVENUE ITEMS	Amount (Php)	Amount (Php)
<b>Regulated Items</b>		
Revenue from Merchandising & Jobbing	37,062	
Miscellaneous Non-Operating Other Income	54,267	
Income from Housewiring and Line Materials	906,440	
Excess provision for advertisements	10,500	
Relocation fees	92,334	
Testing & Installation fees	720	
Labor Cost	165,903	
Transformer rental	83,908	
Disconnection fees	5,759,672	
Reconnection and Other fees	365,291	
<b>@ 100%</b>	<b>7,476,097</b>	<b>7,476,097</b>
<b>Asset-based Items</b>		
Pole Rental	411,417	
<b>@ 50%</b>	<b>205,708</b>	<b>205,708</b>
<b>TOTAL ORI</b>		<b>7,681,805</b>

### 3.2 FUNCTIONALIZATION, CLASSIFICATION AND CUSTOMER ALLOCATION

#### 3.2.1 FUNCTIONALIZATION AND ALLOCATION FACTORS

The functionalization and allocation factors used by PANELCO I were the default factors provided for in the Uniform Filing Requirements (UFR) issued by the Commission on October 30, 2001 as amended in its unbundling decision.

**3.2.2 SUMMARY OF RESULTING REVENUES PER FUNCTION AND PER CLASS**

Based on the functionalization, classification and allocation of the approved revenue requirement for PANELCO I, 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	58,453,765	33,269,060	18,233,401	6,951,304
Commercial	5,254,980	4,134,202	811,429	309,349
General Power	1,675,067	1,625,152	36,138	13,777
Public Building	1,207,693	590,713	446,685	170,295
Street Lights	380,556	333,149	42,441	4,966
Special Lighting	80,153	62,160	13,027	4,966
<b>TOTAL</b>	<b>67,052,214</b>	<b>40,014,436</b>	<b>19,583,121</b>	<b>7,454,657</b>

**3.3 RATE DESIGN**

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

**TABLE 7. COMMISSION DETERMINED RATE SCHEDULE**

Customer Type	Unit	Residential	Comm'l	General Power	Public Building	Street Lights	Special Lighting
<b>Distribution Charges:</b>							
Demand Charge	Php/KW			22.50			
Distribution System Charge	Php/kWh	0.9452	0.4213	0.1543	0.2095	1.4092	0.7372
<b>Supply Charges:</b>							
Retail Customer Charge	Php/cust/mo						
Supply System Charge	Php/kWh	0.5180	0.0827	0.0042	0.1584	0.1795	0.1545
<b>Metering Charges:</b>							
Retail Customer Charge	Php/Meter/mo	5.00	13.35	13.35	13.35	13.35	13.35
Metering System Charge	Php/kWh	0.1235					

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*

*[Handwritten signature]*

### 3.3.1 CUSTOMER CLASSIFICATION

PANELCO I proposed to create a new customer class (General Power) that uses a 3-phase voltage supply. Even with the approval of the proposed customer class, it will still maintain its six (6) customer classes as the re-classification only involves the Industrial customer class, to wit:

- Residential - single phase @ 220 volts
- Commercial - single phase @ 220 volts
- General Power - three phase @ 220 volts
- Street Lights - single phase @ 220 volts
- Public Buildings - single phase @ 220 volts
- Others (Special Lighting) - single phase @ 220 volts

There may be no difference in the service provided by PANELCO I to those primary and secondary metered customers compared to those customers taking power, at the 3-phase levels. However, those metered at 3-phase level draw from an exclusive supply and not from the common distribution system used by others. Customers taking power at the 3-phase levels require a transformer and distribution lines dedicated solely for their use.

The fact that the benefit of an exclusive supply is being made available to these 3-phase customers warrant its classification to the General Power class, with the end view that all 3-phase customers currently belonging to different classes would eventually have the same rates with the corresponding demand charges. Thus, the Commission finds PANELCO I's proposed general power customer class acceptable. The proposed reclassification aims to group customers who are taking power at 3-phase level and are exclusively enjoying

benefits therefrom. Said proposal is consistent with the Commission's policy of moving towards real cost based rates.

### 3.3.2 DISTRIBUTION CHARGE

PANELCO I proposed to bill its distribution charge on a fixed rate per kiloWatt-hour for Residential, Commercial, Public Building, Street Lights and Special Lighting. For its General Power customers, PANELCO I proposed to bill its distribution charge using a combination of fixed rate per kiloWatt (kW) and fixed rate per kiloWatt-hour (kWh).

The Commission adopted said rate design since it is consistent with its approved unbundling of rates for PANELCO I.

### 3.3.3 SUPPLY CHARGE

PANELCO I proposed to bill its supply charge using a monthly rate per kiloWatt-hour (kWh) for all its customer classes.

The Commission adopted said rate design since it is consistent with its approved unbundling of rates for PANELCO I.

### 3.3.4 METERING CHARGE

PANELCO I proposed to bill its metering charge 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).



Similar to the Supply Charge, the Commission adopted said rate design since it is consistent with its approved unbundling of rates for PANELCO I.

**3.4 ESTIMATED IMPACT ON AVERAGE RESIDENTIAL CUSTOMER**

Shown below is the estimated impact between PANELCO I's actual existing rates as of December 2007 and the rates determined by the Commission on the monthly bill of a residential end-user with an average consumption of 98 kWh:

**TABLE 8. 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)
	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)	
Distribution System Charge	0.9240	90.55	0.9452	92.63	0.0212
Supply Charge	0.5488	53.78	0.5180	50.76	(0.0308)
Metering Charges:	-	-	-	-	-
Retail Metered Charge	-	5.00	-	5.00	-
Metering System Charge	0.1924	18.86	0.1235	12.10	(0.0689)
Loan Condonation	(0.3062)	(30.01)	0.00	0.00	0.3062
<b>TOTAL</b>	-	<b>138.18</b>	-	<b>160.49</b>	<b>22.31</b>
<b>PhP/kWh</b>	-	<b>1.4100</b>	-	<b>1.6377</b>	<b>0.2277</b>

Note: Exclusive of VAT

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

In its Order dated April 19, 2006 under ERC Case No. 2001-944, the Commission directed PANELCO I to remove one-third (1/3) of its inter-class cross subsidies.

PANELCO I made the initial phase-out in August 2006 and is expected to complete the same by August 2008 billing.

3.6 LIFELINE RATE DISCOUNT AND SUBSIDY

PANELCO I proposed to maintain the lifeline rate discount levels in its approved rate unbundling. Thus, it proposed a subsidy from non-lifeline customers in the amount of PhP0.0606 per kWh.

Further, PANELCO I claimed that the number of end-users that will benefit from the Lifeline Rate Discount represents twenty-six percent (26%) of the total number of residential consumers.

The Commission realized that a one 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.

The Commission modified PANELCO I's proposal by changing the discount level of its lifeline customers under 16 - 20 kWh consumption in order to be consistent with its policy that the subsidy charge should be between PhP0.05-PhP0.10 per kWh.

In view thereof, the Commission has revised the Lifeline Rate Discount and Subsidy for PANELCO I as shown in the following table:

TABLE 9. LIFELINE RATE DISCOUNT AND SUBSIDY

kWh Consumption	Level of Discount		
	Per Approved Unbundled Rates	Proposed in this Rate Application	Commission Approved
0 -15	30%	30%	30%
16	25%	25%	10%
17	20%	20%	10%
18	15%	15%	10%
19	10%	10%	10%
20	5%	5%	10%
Subsidy charge to Non-lifeline customers	PhP0.0606/kWh	PhP0.0606/kWh	PhP0.1021/kWh

Said consumption threshold and discounts will benefit 11,144 customers which represent twenty-six percent (26%) of the total number of residential consumers. The resulting lifeline subsidy charge to be shouldered by the non-lifeline customers shall be PhP0.1021/kWh which is a reasonable increase from the current level of PhP0.0606/kWh.

PANELCO 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 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.

WHEREFORE, the foregoing premises considered, the application for approval of its rate adjustment in accordance with the provisions of Republic Act No. 9136, with prayer for provisional authority filed by PANELCO I is hereby approved with modification.

PANELCO I is hereby granted a Total Revenue Requirement of Sixty-Seven Million Fifty-Two Thousand Two Hundred Fourteen Pesos (PhP67,052,214.00) equivalent to an overall average rate adjustment of PhP0.0711/kWh on its total Distribution, Supply, and Metering Charges. The corresponding Rate Schedule is shown below:

TABLE 10. RATE SCHEDULE

Customer Type	Unit	Residential	Comm'l	General Power	Public Building	Street Lights	Special Lighting
<b>Distribution Charges:</b>							
Demand Charge	PhP/kW			22.50			
Distribution System Charge	PhP/kWh	0.9452	0.4213	0.1543	0.2095	1.4092	0.7372
<b>Supply Charges:</b>							
Retail Customer Charge	PhP/cust/mo						
Supply System Charge	PhP/kWh	0.5180	0.0827	0.0042	0.1584	0.1795	0.1545
<b>Metering Charges:</b>							
Retail Customer Charge	PhP/Meter/mo	5.00	13.35	13.35	13.35	13.35	13.35
Metering System Charge	PhP/kWh	0.1235					

Residential customers with consumption of 15 kWh and below shall be given a Lifeline Rate Discount of 30% while those consuming 16 kWh up to 20 kWh shall be extended a Lifeline Rate Discount of 10%. All customers that are not eligible for Lifeline Rate Discount shall bear the Lifeline Rate Subsidy of PhP0.1021/kWh.

rs\_panelco1.5.28.08.pdf

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

Finally, the reinvestment fund of PhP0.3563/kWh, for all intents and purposes, shall be part of the contribution from the member-consumers.

**SO ORDERED.**

Pasig City, May 28, 2008.

  
RODOLFO B. ALBANO, JR.  
Chairman

  
RAUF A. TAN  
Commissioner

(On Leave)  
ALEJANDRO Z. BARIN  
Commissioner

  
MARIA TERESA A.R. CASTAÑEDA  
Commissioner

  
JOSE C. REYES  
Commissioner

*Handwritten initials*

Copy Furnished:

1. **Atty. Amado Campos Sison**  
Counsel for the Applicant  
PANELCO I, San Jose, Bani Pangasinan
2. **PANGASINAN I Electric Cooperative, Inc. (PANELCO I)**  
Brgy. San Jose, Bani, Pangasinan
3. **Office of the Solicitor General**  
134 Amorsolo Street, Legaspi Village,  
City of Makati 1229
4. **Commission on Audit (COA)**  
Commonwealth Avenue,  
Quezon City 1121
5. **National Electrification Administration (NEA)**  
NIA Road, Diliman, Quezon City
6. **Senate Committee on Energy**  
GSIS Building, Roxas Boulevard,  
Pasay City 1300
7. **House of Representatives Committee on Energy**  
Batasan Hills, Quezon City 1126
8. **City Mayor**  
Alaminos, Pangasinan
9. **Municipal Mayor**  
Mabini, Pangasinan
10. **Municipal Mayor**  
Burgos, Pangasinan
11. **Municipal Mayor**  
Dasol, Pangasinan
12. **Municipal Mayor**  
Infanta, Pangasinan
13. **Municipal Mayor**  
Agnos, Pangasinan
14. **Municipal Mayor**  
Bani, Pangasinan
15. **Municipal Mayor**  
Bolinao, Pangasinan
16. **Municipal Mayor**  
Anda, Pangasinan

ERC Case No. 2008-020 RC\_PANELCO I