

- 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 Other Revenue items proposed to be deducted from CAMELCO's revenue requirements amount to PhP604,002.00 representing the sum of fifty percent (50%) of its assets and non-regulated other revenues, and one hundred percent (100%) of its regulated other revenues as reflected in its AFS for year 2005.

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 it. 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 the revenue



requirement. Regulated items may include revenues arising from the regular functions of the DU and performed by the DU's own personnel like reconnection fee and inspection fee. The costs of said activity, such as salaries, supplies and other miscellaneous expenses, are already considered in the revenue requirements in either the payroll or 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 Six Hundred Ninety-Four Thousand and Two Pesos (PhP694,002.00) as other revenues to be deducted from CAMELCO's revenue requirements, as follows:

TABLE 5. OTHER REVENUE ITEMS

OTHER REVENUE ITEMS	Amount (PhP)	Amount (PhP)
Regulated Items		
Transformer Rental	10,500	-
Reconnection Fee	18,312	-
Inspection Fee	5,720	-
@ 100%	34,532	34,532
Asset-based Items		
Pole Rental	527,312	-
Miscellaneous Payment of Broken Glass/Meter	52,000	-
Sale of Scrap	183,122	-
Surcharges for Delinquent consumers	556,506	-
@ 50%	1,318,940	659,470
TOTAL ORI		694,002

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3.2 FUNCTIONALIZATION, CLASSIFICATION AND CUSTOMER ALLOCATION

3.2.1 FUNCTIONALIZATION AND ALLOCATION FACTORS

The functionalization and allocation factors used by CAMELCO 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 for it 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 CAMELCO, 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	23,362,700	12,481,574	6,548,223	4,332,903
Commercial	2,885,287	2,241,328	387,532	256,427
Public Building	1,496,287	1,102,208	237,155	156,924
Street Lights	275,827	240,057	35,770	0
TOTAL	28,020,101	16,065,167	7,208,680	4,746,254

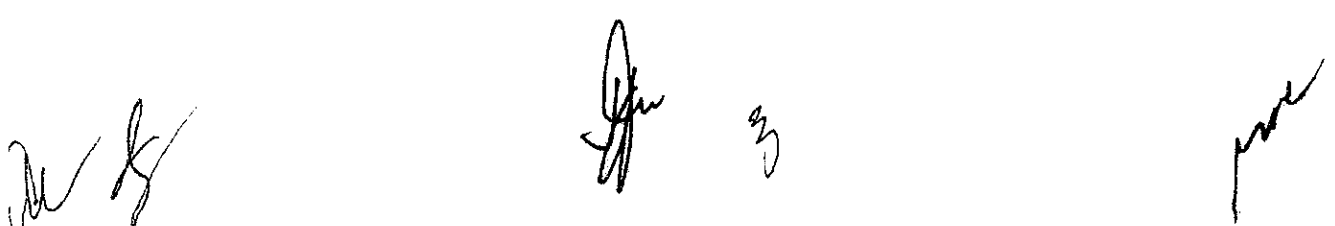


TABLE 7. BILLING DETERMINANTS BY CUSTOMER CLASS

	Residential	Commercial	Public Buildings	Street Lights	TOTAL
kWh Sales	7,371,138	2,646,145	1,272,629	253,987	11,543,899
No. of Customers	11,017	652	399	63	12,131

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	Public Building	Street Lights
Distribution Charges:					
Demand Charge	PhP/KW	-	-	-	-
Distribution System Charge	PhP/kWh	1.6933	0.8470	0.8661	0.9452
Supply Charges:					
Retail Customer Charge	PhP/cust/mo	-	49.53	49.53	47.31
Supply System Charge	PhP/kWh	0.8884	-	-	-
Metering Charges:					
Retail Customer Charge	PhP/Meter/mo	5.00	32.77	32.77	-
Metering System Charge	PhP/kWh	0.4981	-	-	-

3.3.1 DISTRIBUTION CHARGE

CAMELCO proposed to bill a distribution charge based on a fixed rate per kilowatt-hour for Residential, Commercial, Public Building and Street Lights.

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

3.3.2 SUPPLY CHARGE

CAMELCO proposed to bill a supply charge based on a fixed rate per kiloWatt per month for all its customers, except for Residential which will be billed on a fixed rate per kiloWatt-hour.

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

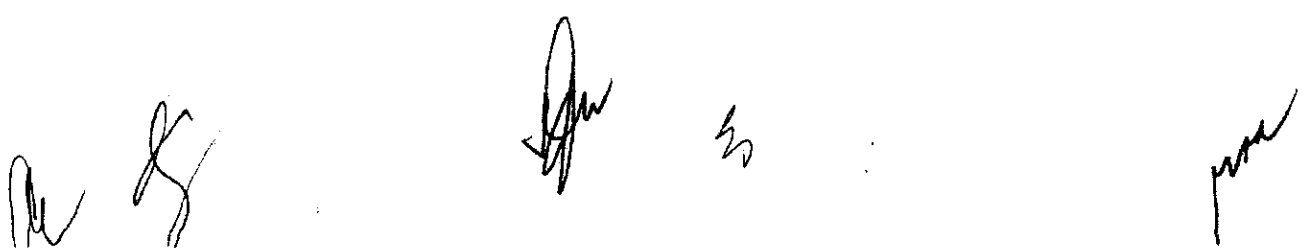
3.3.3 METERING CHARGE

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

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

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 54 kWh:



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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
	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)	
Distribution System Charge	1.8704	101.00	1.6933	91.44	(0.1771)
Supply Charge	0.6235	33.67	0.8884	47.97	0.2649
Metering Charges:					
Retail Metered Charge	-	5.00	-	5.00	-
Metering System Charge	0.4071	21.98	0.4981	26.90	0.0910
Loan Condonation	(0.5000)	(27.00)	0.00	0.00	0.5000
TOTAL	-	134.65	-	171.31	36.66
Effective PhP/kWh	-	2.4935	-	3.1724	0.6788

3.5 REMOVAL OF INTER-CLASS CROSS SUBSIDY

In its Order dated September 20, 2004 under ERC Case No. 2001-996, the Commission directed CAMELCO to remove one-third (1/3) of its inter-class cross subsidies which should be implemented simultaneously with the Commission's Decision on rate reduction due to loan condonation under ERC Case No. 2003-121. The remaining two-thirds (2/3) inter-class cross subsidies corresponding to the second and third years should then be removed at an annual rate similar to that of the first year.

The Commission has determined that CAMELCO has already completely removed its inter-class cross subsidy as of February 2007.

3.6 LIFELINE RATE DISCOUNT AND SUBSIDY

CAMELCO proposed to reduce the lifeline rate discount levels approved in its rate unbundling application. Thus, it proposed a subsidy from non-lifeline customers in the amount of PhP0.0700 per kWh.

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Further, CAMELCO claimed that the number of end-users that will benefit from the Lifeline Rate Discount represents thirty eight percent (38%) of the total number of Residential consumers.

The Commission has 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.

Finally, the Commission modified CAMELCO's proposal by changing the existing discount level of its lifeline customers under 0-19 kWh consumption level in order to be consistent with its policy that the subsidy charge should be between PhP0.05-PhP0.10 per kWh.

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

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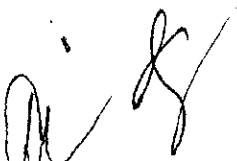


TABLE 9. LIFELINE RATE DISCOUNT AND SUBSIDY

kWh Consumption	Level of Discount		
	Per Approved Unbundled Rates	Proposed in this Rate Application	Commission Approved Lifeline Discount Level
0 – 5	45%	20%	50%
6 – 8	45%	10%	50%
9 – 10	45%	5%	50%
11 – 12	45%	5%	30%
13 – 15	45%	-	30%
16	40%	-	5%
17	30%	-	5%
18	20%	-	5%
19	10%	-	5%
20	5%	-	5%
Subsidy Charge to Non-lifeline Customers	PhP0.0855/kWh	PhP0.0700/kWh	PhP0.0908/kWh

Said consumption threshold and discounts will benefit 4,321 customers which represent thirty-nine percent (39%) of the total number of Residential customers. The resulting lifeline subsidy charge to be shouldered by the non-lifeline customers shall be PhP0.0908/kWh which is higher than the current level of PhP0.0855/kWh.

CAMELCO 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 CAMELCO.

WHEREFORE, the foregoing premises considered, the application for approval of its overall tariff adjustment in the amount of PhP1.9521/kWh, with prayer for provisional authority, filed by Camiguin Electric Cooperative, Inc. (CAMELCO) is hereby **APPROVED** with modification.

CAMELCO is hereby granted a Total Revenue Requirement of **Twenty-Eight Million Twenty Thousand One Hundred One Pesos (PhP28,020,101.00)** equivalent to an overall average rate adjustment of **PhP0.4223/kWh** on its total Distribution, Supply, and Metering Charges. The corresponding Rate Schedule is shown below:

TABLE 10. RATE SCHEDULE

Basic Charges	Unit	Residential	Commercial	Public Building	Street Lights
Distribution Charges:					
Demand Charge	PhP/KW	-	-	-	-
Distribution System Charge	PhP/kWh	1.6933	0.8470	0.8661	0.9452
Supply Charges:					
Retail Customer Charge	PhP/cust/mo.	-	49.53	49.53	47.31
Supply System Charge	PhP/kWh	0.8884	-	-	-
Metering Charges:					
Retail Customer Charge	PhP/Meter/mo.	5.00	32.77	32.77	-
Metering System Charge	PhP/kWh	0.4981	-	-	-

Residential customers with consumption of 10 kWh and below shall be given a Lifeline Rate Discount of 50%, 11 to 15 kWh shall be extended a Lifeline Rate Discount of 30% while those consuming 16 to 20 kWh shall be extended a Lifeline Rate Discount of 5%. All customers that are not eligible for Lifeline Rate Discount shall bear the Lifeline Rate Subsidy of PhP0.0908/kWh.

Finally, the reinvestment fund of PhP0.3230/kWh, for all intents and purposes, shall be part of the contribution from the member-consumers.

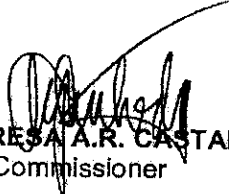
SO ORDERED.

Pasig City, September 8, 2008.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A.R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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