Summary of Net Plant In Service (Inclusive of CWIP)

After considering all the adjustments, the Commission came up with a NPS of Two Hundred Forty-Three Million Two Hundred Seventy-Eight Thousand Three Hundred Ninety-Seven Pesos (**PhP243,278,397.00**).

The adjustment on the NPS amounting to Thirty-Eight Million Five Hundred Seventy-Nine Thousand Nine Hundred Fifty-Eight Pesos (PhP38,579,958.00) pertained to the disallowed assets and the still to be completed project.

	Per ILPI (PhP)	Per the Commission (PhP)	Difference (PhP)
Sound Value as of June 30, 2003	**296,938,300**	**296,938,300**	-
Adjustments:			
2003-2005 net additions	114,591,880	114,591,880	-
2003-2005 additional accu..depn.	(136,995,201)	(136,995,201)	-
Construction Work In Progress	7,323,376	3,911,653	(3,411,723)
Total Adjustments	**(15,079,945)**	**(18,491,668)**	**(3,411,723)**
Net Plant in Service as of December 31, 2005	**281,858,355**	**278,446,632**	(3,411,723)
Less: Disallowances:			
Disallowed per inspection	–	(13,943,600)	13,943,600
Appraisal increase on meters (net)	–	(21,224,635)	21,224,635
Total Disallowances	–	**(35,168,235)**	**35,168,235**
Adjusted Net Plant in Service	**281,858,355**	**243,278,397**	**(38,579,958)**

C. Cash Working Capital (CWC)

ILPI proposed a two (2) month CWC for Operating and Maintenance expenses and nine (9) days for power costs in the total amount of Thirty Million Three Hundred Ten Thousand Nine Hundred Thirty-Two Pesos (PhP30,310,932.00).

1. Provision on Purchased Power

ILPI's proposed provision for purchased power cost is as follows:

Purchased Power Cost	PhP585,683,979
Multiply	9/360 days
CWI on Purchased Power Cost	**PhP14,642,099**

ILPI conducted a lead lag analysis to determine the lag days for the funding of purchased power, as follows:

Time lag from the provision of service to the outflow of funds	
One-half (1/2) of the billing cycle	15 days
Meter reading and billing preparations	5 days
Approximate time before payment is due	10 days
Total	30 days
Time lag from the provision of service to the inflow of funds	
One-half (1/2) of the billing cycle	15 days
Meter reading and billing preparation and time required to collect the customers' bill without disconnection	19 days
Approximate time before payment is due	5 days
Total	39 days
Lag Days	**(9) days**

2. Provision on Cash Operating and Maintenance Expenses

ILPI proposed a two (2) month provision for cash operating and maintenance expenses in the amount of Fifteen Million Six Hundred Sixty-Eight Thousand Eight Hundred Thirty-Three Pesos (PhP15,668,833.00). The two (2) months provision is consistent with the Commission's decision on ILPI's rate unbundling application. The said provision is calculated as follows:

Total Costs & Expenses		PhP95,874,232
Less: Non-Cash Items:		
Taxes	PhP882,761	
Adjustment	978,475	1,861,236
Net Cash Operating & Maintenance Expenses		PhP94,012,996
Cash Working Capital On Cash Operating & Maintenance Expenses (2/12 months)		**PhP15,668,833**

Working capital is a fund that a business must have available, to meet its payroll and expenses until the services or products are paid by the customers. Utilities are usually allowed an amount for working capital as part of their rate base.

The cash working capital allowance should approximate the cash requirements based on an estimated net lag in the cash flow of a distribution utility. The Commission thoroughly reviewed the studies provided in ILPI's application, its Cash Flow, availment of the Prompt Payment Discounts (PPD), collection efficiency, indebtedness pertaining to its cash flow problems (if any) or any current liabilities, and the Average Collection Period (ACP).

Shown below is the Commission's lead lag analysis on the financing of ILPI's purchased power costs:

Time lag from the provision of service to the outflow of funds	
One-half (1/2) of the billing cycle	15 days
Meter reading and billing preparations	5 days
Approximate time before payment is due	10 days
Total	30 days
Time lag from the provision of service to the inflow of funds	
One-half (1/2) of the billing cycle	15 days
Meter reading and billing preparation and time required to collect the customers' bill without disconnection	15 days
Approximate time before payment is due	5 days
Total	35 days
Lag Days	**(5) days**

The Commission allowed a five (5) day CWC provision for purchased power cost in the amount of Nine Million Four Hundred Fourteen Thousand Two Hundred Sixty-Two Pesos (PhP9,414,262.00) and maintained the two (2) months CWC provision for the adjusted cash O & M in the amount of Twelve Million Eight Hundred Sixty Thousand Nine Hundred Nine Pesos (PhP12,860,909.00),

resulting to a CWC total of Twenty-Two Million Two Hundred Seventy-Five Thousand One Hundred Seventy-One Pesos (PhP22,275,171.00) to be included in ILPI's rate base computed as follows:

Adjusted O & M Expenses		PhP55,503,793
Adjusted Payroll		24,940,487
Total		80,444,280
Less: Taxes & non-cash items:		
Taxes other than income tax	PhP1,861,236	
Bad debts (see Table 9)	847,793	
Franchise Requirements & Regulatory Expenses	569,797	3,278,826
Cash O & M Expenses		PhP77,165,454
2-Months CWC provision on O & M [PhP77,165,454 x 2/12]		PhP12,860,909
5-Days CWC provision on Power Costs [PhP687,241,139 x 5/365]		9,414,262
TOTAL CASH WORKING CAPITAL		**PhP22,275,171**

D. Materials and Supplies

ILPI included in its rate base the materials and supplies amounting to Ten Million Two Hundred Eighty-Five Thousand Nine Hundred Thirty-Five Pesos (PhP10,285,935.00) which is higher than the balance of said account as reflected in its AFS for the year 2005. The Commission allowed only the Eight Million Six Hundred Forty-Six Thousand Two Hundred Ninety-Five Pesos (PhP8,646,295.00) based on the submitted AFS and disallowed the amount of One Million Six Hundred Thirty-Nine Thousand Six Hundred Forty Pesos (PhP1,639,640.00) for ILPI's failure to substantiate the proposed increase.

Summary of Rate Base

After adjustments were made, the following summarizes the components of the rate base in the final amount of **Two Hundred Seventy-Four Million One Hundred Ninety-Nine Thousand Eight Hundred Sixty-Two Pesos (PhP274,199,862.00)**.

	Per ILPI (PhP)	The Commission's Adjustments (PhP)	Per the Commission (PhP)
Net Plant In Service	281,858,355	(38,579,958)	243,278,397
Cash Working Capital	30,310,932	(8,035,761)	22,275,171
Materials & Supplies	10,285,935	(1,639,640)	8,646,295
TOTAL RATE BASE	**322,455,222**	**(48,255,359)**	**PhP274,199,863**

E. Return on Rate Base

For privately-owned distribution utilities, a cost base method known as the Return On Rate Base (RORB) methodology is being adopted. Power rates are set to recover the cost of service prudently incurred plus a reasonable rate of return. The rate of return pertains to the percentage which, when multiplied by the allowed rate base, provides a return that will fairly compensate the company for the risk inherent to the investment of capital. This simply means that a regulated utility is allowed a return that will cover its operating costs and provide it an opportunity to earn a reasonable rate of return on the assets utilized in the business.

On the basis of existing jurisprudence, the 12% rate of return will be maintained in this case.

The Commission approved a RORB of Thirty-Two Million Nine Hundred Three Thousand Nine Hundred Eighty-Three Pesos (PhP32,903,983.00) computed as follows:

	Per ILPI (PhP)	Commission's Adjustments (PhP)	Per the Commission (PhP)
Adjusted Total Rate Base	322,455,222	(48,255,360)	274,199,862
Rate of Return	12%	12%	12%
TOTAL RATE BASE	**38,694,627**	**(5,790,644)**	**32,903,983**

1. Return of Capital (Depreciation and Amortization Expense)

Based on ILPI's AFS for the year 2005, it proposed a total depreciation in the amount of to Thirty-One Million Three Hundred Fifty-One Thousand One Hundred Eleven Pesos (PhP31,351,111.00).

However, it did not include the Department of Energy (DOE) funded assets and the depreciation expense amounting to Seven Hundred Seventy-Five Thousand Four Hundred Fifty-Four Pesos (PhP775,454.00).

Depreciation is allowed as a component of the revenue requirement to provide a return of capital. In addition, this allowance is required to be set aside by the DU specifically for the purposes of rehabilitation, maintenance, upgrading and replacement of assets. It is calculated on a straight line basis being a generally acceptable method of computing depreciation for rate making purposes. It should be noted that the same is likewise consistent with the methodology used by the independent appraisal company and the auditor. The asset lives considered were within the standard asset lives allowed for rate making purposes.

The Commission made a downward adjustment of Four Million Three Hundred Ninety-Four Thousand Three Hundred Eighty-Nine Pesos (PhP4,394,389.00) on the reported depreciation expense corresponding to the

disallowed assets and those pertaining to the excluded appraisal increase on metering costs. Since the disallowed assets were not considered part of the rate base for the year 2005, the depreciation expense pertaining to said assets for the same year was also not considered.

	Sound Value (PhP)	Remaining Life	Depreciation (PhP)
Land	10,326,600		
Power Transformer	382,000	4	95,500
Power Transformer	480,000	3	160,000
Power Transformer	765,000	4	191,250
PABX	30,000	9	3,333
Mobile Phone	1,000	2	500
Service Vehicle #1	80,000	2	40,000
Service Vehicle #4	80,000	2	40,000
Service Vehicle #7	70,000	2	35,000
Service Vehicle #8	70,000	2	35,000
Service Vehicle #9	90,000	2	45,000
Service Vehicle #16	70,000	3	23,333
Service Vehicle #27	100,000	2	50,000
Motorcycle #1	10,000	1	10,000
Motorcycle #2	7,000	1	7,000
Motorcycle #3	5,000	1	5,000
Various Computers	458,000	3	152,667
Assorted Furniture & Equipment	919,000	4	229,750
Total disallowances per inspection	**13,943,600**		**1,123,333**
Exclusion of depreciation on the appraisal increase of meters	21,224,635		3,271,056
TOTAL	**35,168,235**		**4,394,389**

After considering the foregoing adjustments, the Commission allowed a depreciation expense in the amount of Twenty-Six Million Nine Hundred Fifty-Six Thousand Seven Hundred Twenty-Two Pesos (**PhP26,956,722.00**), broken down as follows:

Depreciation Expense per application	PhP31,351,111
Less: Depreciation on the disallowed assets	4,394,389
Adjusted Depreciation Expense	**PhP26,956,722**

F. Other Revenue Items (ORI)

ILPI averred that Section 26 of R.A. 9136 or the EPIRA states that "distribution utilities may, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets provided that portion of the net income derived from such undertaking utilizing assets which form part of the rate base shall be used to reduce its distribution wheeling charges as determined by ERC. Such portion of the net income shall not exceed fifty percent (50%) of the net income derived from such undertaking."

ILPI reduced its Revenue Requirement for the test year 2005 by Four Million Seven Hundred Eighteen Thousand Two Hundred Thirty-Six Pesos (PhP4,718,236.00), equivalent to one hundred percent (100%) of the Pole Rental Income recorded in its book of accounts, rentals received from telephone and cable companies for the use of poles and its accessories devoted to the distribution system. The amount also includes ILPI's billings to telephone and cable companies prior to the year 2005. In support thereof, it submitted copies of the Statement of Accounts and Official Receipts or payments to this account.

The Commission considered Other Revenues as items to be deducted from the revenue requirement used to calculate the rates for the end-users. Since all the expenses associated with the provision of the services that gave rise to these items of revenue were included in the revenue requirement, the income generated thereof should also be considered.

Moreover, since the assets (pole & transformer) that gave rise to these items of revenue (rentals) were allowed as return and depreciation allowance in the revenue requirement, the revenue generated must be fully deducted from ILPI's revenue requirement.

ILPI's AFS and trial balance showed that its total ORI amounted to Five Million Nine Hundred Twenty-Seven Thousand Five Hundred Twenty-Eight Pesos (PhP5,927,528.00), the breakdown of which is shown below:

	Per ILPI (PhP)	**Commission's Adjustments (PhP)**	**Per the Commission (PhP)**
Rent from property used in operation:			
Pole Rental	4,718,236		4,718,236
Transformer Rental	0	323,552	323,552
Utility Equipment Rental	0	784,733	784,733
Transportation Equipment Rental	0	25,692	25,692
Line Rental	0	6,875	6,875
Tool Charges	0	68,440	68,440
Total ORI	**4,718,236**	**1,209,292**	**5,927,528**

FUNCTIONALIZATION, CUSTOMER CLASS ALLOCATION AND BILLING DETERMINANTS

The functionalization and allocation factors used by ILPI were the same factors set forth in the UFR, as amended in its approved unbundled rate. At present, the Commission sees no cogent reason for it to deviate from the existing functionalization and allocation factors as contained in the UFR.

ILPI made use of the annualized kWh sales as billing determinants, consistent with the Commission's policy set in its unbundling of rates wherein any energy related costs should be allocated based on annualized sales.

SUMMARY OF RESULTING REVENUE REQUIREMENT PER FUNCTION AND PER CLASS

Based on the functionalization, classification and allocation of the recommended revenue requirement for ILPI, the table below provides the following revenues functionalized by customer category:

Customer Class	Total Revenue (PhP)	Distribution Related Revenue (PhP)	Supply Related Revenue (PhP)	Metering Related Revenue (PhP)
Flat Rate	823,027	821,492	1,535	0.00
Residential	74,833,296	45,572,376	13,981,726	15,279,194
Commercial	51,254,713	40,296,745	2,814,157	8,143,811
Industrial	5,339,533	4,982,429	4,223	352,881
Bulk Power	2,126,888	2,043,063	768	83,057
Total	**134,377,457**	**93,716,105**	**16,802,409**	**23,858,943**

RATE DESIGN

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

ILPI's proposed rate structure consisted of charges for the following specific functions: (1) Connection Related Rates; (2) Distribution Related Rates; (3) Supply Related Rates; (4) Metering Related Rates; and (5) Other charges (although not part of the proposed basic rate schedule but submitted as a separate list to form part of the instant application).

1. Connection Charge

ILPI segregated the assets, contra-assets and the related costs & expenses accounts from the rest of its distribution related accounts and allocated the same into distribution connection function. The same functionalized accounts were allocated to each customer class and converted into its proposed fixed peso per kilowatt-hour connection rates for each of its respective customer classes.

However, the proposed connection charges cannot be acted upon at the moment pending the establishment of standard customer segmentation as mandated under Section 2.4.2 of the Distribution Services and Open Access Rules (DSOAR). As such, the rates pertaining to connection charges will remain bundled with the distribution charges.

2. Distribution Charge

ILPI proposed a fixed peso per kilowatt-hour charges for all its Residential, Commercial and Flat Rate customers. For its Bulk Power and Industrial customers, it proposed a combination of peso per kilowatt-hour and peso per kilowatt charges.

The Commission maintained the rate structure as approved in ILPI's unbundled rates for distribution charges. Residential, Flat Rate and Commercial end-users shall be billed using a fixed rate per kilowatt-hour (kWh) and for customer with demand meters such as the Industrial and Bulk Power end-users, the distribution charge shall be billed using a combination of fixed rates per kilowatt (kW) and rate per kilowatt-hour (kWh).

Relative to the distribution charge, the Commission has resolved that the distribution wheeling rates to be charged by ILPI to the future contestable market shall be the same as that provided in the Rate Schedules, comprising of its proposed distribution and supply charges. The Commission believes that wheeling rates are parallel to the cost of service functionalized under Distribution. Thus, the Distribution charge provided in the Rate Schedule will be utilized as Distribution Wheeling Charges available to the future contestable market.

3. Supply and Metering Charges

For the supply function, ILPI proposed a peso per kilowatt-hour charge for its Residential customers and fixed peso per customer per month charges for all its other customer classes.

For the metering function, ILPI proposed the following rate structure: Residential customers shall be levied a combination of peso per kilowatt-hour and a fixed PhP5.00 per customer per month charges; Flat rate customers shall have no metering charge; and all the rest of the customer classes shall be billed fixed peso per meter per month charges. The rate structures for both functions are consistent with the approved unbundled rate structures.

The Commission noted that cost-causation rate design principle allows the recovery of customer-related costs associated with the metering and supply functions through fixed monthly charges. Along with this cost of service principle, however, the Commission also considers rate design impacts across the spectrum of end-users within each rate class.

The Commission has the flexibility to consider other factors in determining the rate design for a particular class of end-users. Therefore, to mitigate the impact on below-average consumption of residential end-users, it used a PhP5.00 per meter per month and PhP per kWh rate for the metering function and a PhP per kWh rate for the supply function. Street Lighting Service end-users shall be billed with a fixed monthly customer charge for the supply function and no charge for the metering function. All other end-users shall be billed fixed monthly customer and meter charges for the supply and metering functions, respectively.

Other Related Items

1. Interclass Cross Subsidy and Lifeline Rate and Level

ILPI has completed the removal of interclass cross subsidies effective November 2006 and has not included in this rate application any proposed interclass cross subsidy charges for each of its customer classes. With respect to the determination of lifeline subsidy, ILPI adopted the same lifeline levels of consumption with corresponding discount as those of the approved unbundled rates.

ILPI claimed that the number of end-users that will benefit from said lifeline discounts represent more than 50% of the total number of residential consumers while the kWh consumption represents about 7% of the total kWh sales (for all customer classes) for a month.

The Commission recalculated the subsidy to be given by ILPI to its marginalized customers maintaining the current consumption levels and corresponding discounts as approved in its rate unbundling application. The revised lifeline subsidy rate is **PhP0.0096** per kWh. The number of residential customers to be subsidized by non-lifeline customers is 66.89%.

The Commission considered the impact of the subsidy to non-lifeline end-users in coming-up with the following graduated scale for lifeline discount for ILPI. The graduated scale likewise recognized that the consumption of individual end-user may likely vary from month to month:

Lifeline Consumption Levels and Discount Rates

Recommended Lifeline Levels and Discount Rates	
kWh Consumption	**Discount Level**
40 & below	50%
41 to 50	45%
51 to 60	40%
61 to 70	35%
71 to 80	30%
81 to 90	20%
91 to 100	10%
Subsidy Rate to Non-Lifeline customers	PhP0.0096/kWh

ILPI 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 100 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 ILPI, the lifeline discount is equivalent to PhP0.0096 per kWh. Sixty-Six Percent (66%) of Residential Customers will benefit from the said lifeline subsidy.

Any over/under recovery resulting from the implementation of ILPI's lifeline rates upon the issuance of this Decision and onwards shall be addressed under the Guidelines on the Over/Under Recovery of Lifeline Rates as approved by the Commission on July 08, 2005.

2. Other Charges/Non-Recurring Rates

ILPI included its proposed revised other charges and/or non-recurring charges. It stated that pursuant to the Commission's Decision in its unbundling application, it was directed to file its formal application on "Other Charge" within one (1) year from the date of the Decision, using the Commission's prescribed format.

The Commission allowed ILPI to continue charging the existing rates on Other Charges pending approval of a new one.

3. Comparison of Rates

Particulars		Flat Rate	Residential	Commercial	Industrial	Bulk Power
ILPI Proposed Rates:						
Distribution Connection Charge	PhP/kWh	0.0148	0.0148	0.0148	0.0274	0.0132
Distribution Charges:						
Demand Charge	PhP/kW				107.75	12.55
Distribution System Charge	PhP/kWh	0.7302	0.7302	0.7302	0.3628	0.0260
Supply Charges:						
Retail Customer Charge	PhP/Cust/Mo	48.67		48.67	49.30	49.30
Supply System Charge	PhP/kWh		0.3168			
Metering Charges:						
Retail Meter Charge	PhP/Meter/Mo		5.00	128.01	3,693.69	4,781.58
Metering System Charge	PhP/kWh		0.2770			
Total Energy Charge	PhP/kWh	**0.7450**	**1.3388**	**0.7450**	**0.3902**	**0.0392**
Total Monthly Customer Charge	PhP/Cust/Mo	**48.67**	**5.00**	**176.68**	**3,742.99**	**4,830.88**
Total Demand Charge	PhP/kW				**107.75**	**12.55**

Existing Rates:						
Distribution Charges:						
Demand Charge	PhP/kW				106.66	11.77
Distribution System Charge	PhP/kWh	0.6449	0.6449	0.6449	0.3628	0.0260
Supply Charges:						
Retail Customer Charge	PhP/Cust/Mo	37.43		37.43	37.43	37.43
Supply System Charge	PhP/kWh		0.2705			
Metering Charges:						
Retail Meter Charge	PhP/Meter/Mo		5.00	60.97	1,014.91	2,185.93
Metering System Charge	PhP/kWh		0.1183			
Total Energy Charge	PhP/kWh	**0.6449**	**1.0337**	**0.6449**	**0.3628**	**0.0260**
Total Monthly Customer Charge	PhP/Cust/Mo	**37.43**	**5.00**	**98.40**	**1,052.34**	**2,223.36**
Total Demand Charge	PhP/Kw				**106.66**	**11.77**

The Commission's Approved Rates:						
Distribution Charges:						
Demand Charge	PhP/kW				108.94	13.24
Distribution System Charge	PhP/kWh	0.6738	0.6738	0.6738	0.3069	0.0281
Supply Charges:						
Retail Customer Charge	PhP/Cust/Mo	31.94		31.94	31.94	31.94
Supply System Charge	PhP/kWh		0.2079			
Metering Charges:						
Retail Meter Charge	PhP/Meter/Mo		5.00	92.57	2,673.34	3,460.72
Metering System Charge	PhP/kWh		0.1950			
Total Energy Charge	PhP/kWh	**0.6738**	**1.1391**	**0.6738**	**0.3069**	**0.0281**
Total Monthly Customer Charge	PhP/Cust/Mo	**31.94**	**5.00**	**124.51**	**2,705.28**	**3,492.66**
Total Demand Charge	PhP/kW				**108.94**	**13.24**

Variance: Commission's Approved vs. Proposed						
Total Energy Charge	PhP/kWh	(0.0713)	(0.2622)	(0.0713)	(0.0833)	(0.0111)
Total Monthly Customer Charge	PhP/Cust/Mo	(16.73)	0	(52.17)	(1,037.70)	(1,338.22)
Total Demand Charge	PhP/kW				1.18	0.69
Variance: Approved vs. Existing						
Total Energy Charge	PhP/kWh	0.0289	0.0430	0.0289	(0.0559)	0.0021
Total Monthly Customer Charge	PhP/Cust/Mo	(5.49)	0	26.11	1,652.95	1,269.30
Total Demand Charge	PhP/kW		0		2.28	1.47

Estimated Impact on Average Residential Consumer

Shown below is a comparison between the estimated impacts of all adjustments on the revenue requirement on the monthly bill of an average residential end-user (consuming 105 kWh a month) using ILPI's actual existing rates as of August 2007 and the rates as determined by the Commission:

Charges/Details		Based on Actual Existing Rates		Based on the Commission's Approved Rates		Variance
		PhP/kWh	PhP	PhP/kWh	PhP	PhP
kWh Used	**105**					
Generation Charge	PhP/kWh	2.2429	235.50	2.2429	235.50	
Mandatory Rate Reduction	PhP/kWh	(0.3000)	(31.50)	(0.3000)	(31.50)	
VAT *[235.50 –31.50 x 47.98% x 12%]*			11.75		11.75	
Transmission Charge	PhP/kWh	0.8563	89.91	0.8563	89.91	
VAT *[87.94 x 83.82% x 12%]*			8.99		8.99	
Line Loss Charge	PhP/kWh	0.4055	42.58	0.4055	42.58	
VAT *[42.47 x 54.90% x 12%]*			2.80		2.80	
Distribution Charge	PhP/kWh	0.6449	67.71	0.6738	70.74	3.03
VAT *[67.71 x 12%] & [71.04 x 12%]*			8.13		8.49	0.36
Supply Charge	PhP/kWh	0.2705	28.40	0.2079	21.83	(6.57)
VAT *[28.40 x 12%] & [27.82 x 12%]*			3.41		2.62	(0.79)
Metering Charges:						
Retail Meter Charge	PhP/Month		5.00		5.00	
Metering System Charge	PhP/kWh	0.1183	0.26	0.1950	20.48	20.22
VAT *[0.88 + 5 x 12%] & [28.89 + 5 x 12%]*			0.63		3.06	2.43
Lifeline Rate Subsidy/(Discount)	PhP/kWh	0.1034	10.86	0.0096	1.01	(9.85)
VAT *[10.86 x 12%] & [0.91 x 12%]*			1.30		0.12	(1.18)
Universal Charges:						
Missionary Electrification Charge	PhP/kWh	0.0373	3.92	0.0373	3.92	
Environmental Charge	PhP/kWh	0.0025	0.26	0.0025	0.26	
TOTAL BILL			**489.91**		**497.56**	**7.65**
PhP/kWh			**4.6658**		**4.7387**	**0.0729**

RATE SCHEDULE

After considering all the adjustments made on ILPI's application, the Commission approved the following rate schedule:

	Flat Rate	Residential	Commercial	Industrial	Bulk Power
Distribution Charges:					
Demand Charge (PhP/kW)				108.94	13.24
Distribution System Charge (PhP/kWh)	0.6738	0.6738	0.6738	0.3069	0.0281
Supply Charges:					
Retail Customer Charge (PhP/Cust/Month)	31.94		31.94	31.94	31.94
Supply System Charge (PhP/kWh)		0.2079			
Metering Charges:					
Retail Meter Charge (PhP/Meter/Month)		5.00	92.57	2,673.34	3,460.72
Metering System Charge (PhP/kWh)		0.1950			
Lifeline Rate (PhP/kWh)	0.0096	0.0096	0.0096	0.0096	0.0096
Universal Charges:					
Missionary Electrification Charge (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

WHEREFORE, the foregoing premises considered, the application filed by Iligan Light and Power, Inc. (ILPI) for approval of its revised rate schedules and appraisal of its properties, with prayer for the issuance of a provisional authority, is hereby **APPROVED** with modification.

Accordingly, ILPI is hereby granted the following:

a.) A total Revenue Requirement of **One Hundred Thirty-Four Million Three Hundred Seventy-Seven Thousand Four Hundred Fifty-Seven Pesos (PhP134,377,457.00)** equivalent to an average rate adjustment of **PhP0.0486/**kWh; and

b.) A sound value appraisal of its properties, plant and equipment in service, for the purpose of establishing its rate base as of June 30, 2003, in the amount of **Two Hundred Ninety-Six Million Nine Hundred Thirty-Eight Thousand Three Hundred Pesos (PhP296,938,300.00)**.

The corresponding Rate Schedule, lifeline levels, discounts and lifeline subsidy charge are shown as follows:

	Flat Rate	Residential	Commercial	Industrial	Bulk Power
Distribution Charges:					
Demand Charge (PhP/kW)				108.94	13.24
Distribution System Charge (PhP/kWh)	0.6738	0.6738	0.6738	0.3069	0.0281
Supply Charges:					
Retail Customer Charge (PhP/Cust/Month)	31.94		31.94	31.94	31.94
Supply System Charge (PhP/kWh)		0.2079			
Metering Charges:					
Retail Meter Charge (PhP/Meter/Month)		5.00	92.57	2,673.34	3,460.72
Metering System Charge (PhP/kWh)		0.1950			
Lifeline Rate (PhP/kWh)	0.0096	0.0096	0.0096	0.0096	0.0096
Universal Charges:					
Missionary Electrification Charge (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

Maximum lifeline level : 100 kWh
Maximum Percentage of Discount : 50%
Subsidy Charge to Non-lifeline Customers : PhP0.0096/kWh

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
Commissioner

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4. Commission on Audit
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5. Senate Committee on Energy
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Metro Manila

6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila

7. The City Mayor
Iligan City Government