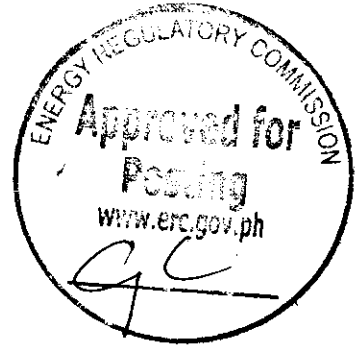


Republic of the Philippines
ENERGY REGULATORY COMMISSION
 San Miguel Avenue, Pasig City



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

ERC CASE NO. 2006- 025 RC

CEBU I ELECTRIC COOPERATIVE,
 INC. (CEBECO I),

Applicant.

x-----x

D O C K E T E D
 Date: OCT 02 2006
 By: [Signature]

ORDER

On July 12, 2006, Cebu I Electric Cooperative, Inc. (CEBECO I) filed an application pursuant to the provisions of Republic Act No. 9136 (the Electric Power Industry Reform Act of 2001 or the EPIRA) praying for the Commission's approval of its proposed unbundled rates adjustment in its existing distribution, supply and metering charges with prayer for provisional authority.

In the said application, CEBECO I proposed, among others, the following:

1. FACTS OF THE CASE

1.1. REVENUE REQUIREMENT

Shown below is CEBECO I's proposed revenue requirement based on test year 2004 with adjustment:

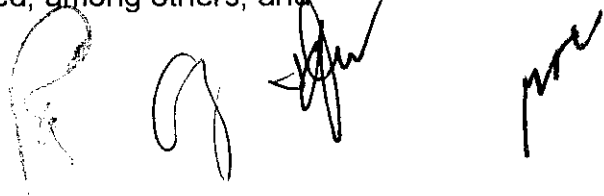
ACCOUNT NAME	Per Audited FS PhP	Adjustments PhP	Per Application PhP
Payroll	27,625,851.00	0	27,625,851.00
Operation & Maintenance (less PP & Payroll)	56,605,023.47	5,086,853.25	61,691,876.72
Depreciation and Amortization on Cash Working Capital (CWC)	19,839,026.61	0	19,839,026.61
Other Revenue Items (ORI)	(837,780.28)	0	(837,780.28)
CAPEX Fund	54,352,851.77	0	54,352,851.77
Total Revenue Requirement PhP	157,584,972.58	5,086,853.25	162,671,825.83

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CEBECO I also submitted its Audited Financial Statements for the year 2004.

CEBECO I further alleged that:

- by using the methodology under the Uniform Filing Requirements (UFR), CEBECO I, based on test year 2004, needs a total revenue requirement of **One Hundred Sixty Two Million Six Hundred Seventy One Thousand Eight Hundred Twenty Six Pesos (PhP 162,671,826.00 rounded-off)**;
- its **Payroll** was based on the approved plantilla of the National Electrification Administration (NEA) with its corresponding budget approval and the pertinent wage orders approved by the Department of Labor and Employment (DOLE);
- its **Operation and Maintenance (O & M) Expenses** include, among others, increase in prices of gasoline and diesel used for the transportation and sub-station maintenance, office supplies, and spare parts since 2000 up to present;
- in compliance with the directives of the Honorable Commission that fifty percent (50%) of the revenue earned for the use of asset-related properties shall be shared with the consumers, it proposed to share with the consumers the amount of PhP 837,780.28 as **Other Revenue Items** to be deducted from the proposed revenue requirement;
- it operates on a Cash-Flow basis and due to the adjustments made by the Commission on its proposed unbundled rates in ERC Case No. 2001-959, not to mention the steady increase in the cost of providing service as a distribution utility, CEBECO I experienced and continues to experience difficulty in meeting its various obligations on time and, delay in the implementation of its projects in the hopes of achieving greater efficiency in its operations;
- it intends to include in its Total Revenue Requirement a 45-day working capital, which approximately forms a meager part, i.e., twelve percent (12%), of the total revenue requirement excluding Generation and Transmission Cost, which will be recovered in three (3) years equivalent to PhP 19,839,026.61. The **cash working capital**, which was computed on the basis of the NEA Performance Indicator, is included in order to abate the occurrence of further losses due to the lack of sufficient funds for its day-to-day operations. CEBECO I included in its proposed cash working capital the expected assessment of the real property taxes levied by the Local Government Units (LGUs) concerned, among others; and



- The inclusion of its **Capital Expenditure (CAPEX)** would enable it to implement a System Rehabilitation/Upgrading and/or System Loss Reduction Plan for 2005-2009 previously submitted to the NEA. Further, it had calculated investments in the next five (5) years in the total amount of PhP 54,352,851.77. These investments assume an annual decrease in the System Loss especially with the construction of power substation and the rehabilitation and revamp of identified sections in the distribution system. The amount of CAPEX is equivalent to thirty percent (30%) of the Revenue Requirement excluding Generation and Transmission Costs.

1.2. COMPARISON OF PROPOSED & EXISTING RATES:

Customer Class	Proposed Rates	Existing Rates	Difference
Residential			
PhP/kWh	2.1336	0.7850	1.3486
PhP/cust./mo.	5.00	5.00	0.00
Commercial			
PhP/kWh	1.4925	0.3745	1.1180
PhP/cust./mo.	133.34	27.95	105.39
General Power			
PhP/kWh	1.2621	0.4880	0.7741
PhP/kW	19.80	19.80	
PhP/cust./mo.	824.01	187.98	636.03
Public Buildings			
PhP/kWh	1.1066	0.5935	0.5131
PhP/cust./mo.	133.34	27.91	105.42
Street Lights			
PhP/kWh	1.1974	0.9130	(0.2844)
PhP/meter/mo.	133.34	32.94	100.40
Large Load			
PhP/kWh	0.2086	(0.1857)	0.3943
PhP/kW	165.83	165.83	0
PhP/cust./mo.	44,644.27	359.51	44,284.76

1.3. PROPOSED RATES PER CUSTOMER CLASS

The Distribution, Supply and Metering charges proposed by CEBECO I are as follows:

	Residential	Commercial	General Power	Public Building	Street Lights	Large Load
Distribution Charges:						
Demand Charge PhP/kW			19.8000			165.83
Distribution System Charge PhP/kWh	1.4620	1.4925	1.2621	1.1066	1.1974	0.2086
Supply Charges:						
Demand System Charge PhP/kW		32.1558	32.1558	32.1558	32.1558	32.1558
Supply System Charge PhP/kWh	0.4330					
Metering Charges:						
Retail Customer Charge PhP/Meter/ Mo.	5.0000	101.1818	791.8513	101.1818	101.1818	44,612.11
Metering System Charge PhP/kWh	0.2385					
Total Energy Charge	2.1336	1.4925	1.2621	1.1066	1.1974	0.2086
Total Monthly Customer Charge	5.00	133.34	824.01	133.34	133.34	44,644.27
Total Demand Charge			19.80			165.83

2. DISCUSSION

Initial evaluation by the Commission on the revenue requirements of CEBECO I shows the following:

2.1. PAYROLL = PhP 27,625,851.00

Payroll allocation per function:

PAYROLL	CEBECO I PhP	Commission PhP
Distribution	14,138,300	14,138,300
Customer and Information	7,745,486	7,745,486
Administrative & General	5,742,065	5,742,065
Total	27,625,851	27,625,851

A perusal of the records shows that CEBECO I's application incorporates an increase in payroll level of 13% over and above than what was approved by the Commission in its decision dated March 28, 2003 on CEBECO I's unbundling

of rates application in ERC Case No. 2001-959 based on test year 2000. CEBECO I's proposed payroll was based on the plantilla and corresponding budget approved by the NEA.

A review by the Commission of CEBECO I's payroll expense vis-a-vis the plantilla (which provide a detailed information such as, the employee's item number, name of employee, position title, basic salary contributions pertaining to SSS, Philhealth, PAG-IBIG, and the mandatory 13th month pay) shows that the salaries and wages pertaining to CEBECO I's Mini Hydro Generation in the amount of PhP 9,677,252.12 were excluded in its rate adjustment application.

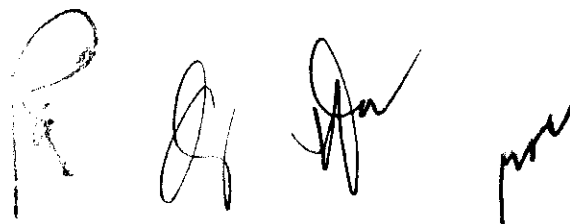
The Commission notes that CEBECO I has maintained a consistent National Electrification Administration (NEA) A+ category from 1994 up to present. The NEA policy on categorization considers the following parameters in rating the Electric Cooperatives: system loss, collection efficiency, payment to power suppliers and amortization payment to NEA, with the A+ as the highest and E as the lowest.

The ratio of employees to customers is 1:316. CEBECO I forecasts an annual average growth rate of 7% in its number of customers.

Shown below is the simulation by the Commission on the resultant payroll expense of CEBECO I if the same is escalated by the change in the Consumer Price Index (CPI) from 2003 to 2006 of 1.20:

Payroll Expense (per UFR)	PhP 24,364,000
multiplied by 1.20 which is the change in CPI ¹ from 2003 (113.8) to 2006 (136.9)	
Payroll Expense (escalated by CPI)	PhP 29,309,592

¹ Source: Bangko Sentral ng Pilipinas (BSP)



It must be noted that CEBECO I's proposed payroll expense is lower than the payroll expense escalated to CPI. Further, CEBECO I had an additional seven (7) personnel over and above the approved level in its unbundling of rates application in ERC Case No. 2001-959.

Hence, the Commission considers that the proposed payroll level covering One Hundred Ninety-Four (194) permanent employees of CEBECO I is reasonable.

**2.2. OPERATING & MAINTENANCE (O&M) EXPENSES
 (excluding Payroll) = PhP 28,759,879.00**

The Commission considers the following as allowable operating expenses: those which are reasonably incurred in connection with business operations to yield revenue or income; those which are required or necessary in the operation of a utility; recurring and would redound to the service or benefit of end-users.

After a thorough review of the documents submitted, the Commission deems it prudent to make a preliminary downward adjustment of PhP 32,931,998.00 on CEBECO I's O & M expenses based on the following:

Particulars	Amount (PhP)	Commission's Reasons for Disallowances
Per Cebeco I	61,691,877	
Less : Commission's Disallowances		
Administrative Salaries	2,363,115	Allowances and Benefits granted by CEBECO I which are either beyond the allowable levels and/or approved by the CEBECO I Board and NEA subject to availability of savings/funds
Employees Pension & Benefits	26,463,174	
Outside Services Employed	1,690,684	
Officers allowances & benefits	1,172,890	
Rents	9,600	
Maintenance of General Plant	307,790	
Office Supplies	28,741	
Miscellaneous	595,004	
Uncollectible Accounts	301,000	
		No details provided
		No need to provide. CEBECO I's collection efficiency has been consistently at 100%
Total Commission's Disallowances	32,931,998	
ADJUSTED O & M Per Commission	28,759,879	

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As reflected in the above table, the reduction in CEBECO I's O & M pertains to disallowances from the following accounts such as, Administrative Salaries, Employees Pension and Benefits, Outside Services Employed, Officers Allowances and Benefits, Rents, and Maintenance of General Plant (which pertains to allowances and benefits) granted by CEBECO I to its officers and employees.

The O & M allocation per function is as follows:

	CEBECO I PhP	Adjustments PhP	Commission Approved Adjusted O & M PhP
Distribution	19,837,825	(7,711,163)	12,126,662
Customer and Information	7,663,058	(3,950,422)	3,712,636
Administrative & General	34,190,994	(21,270,413)	12,920,581
Total	61,691,877	(32,931,998)	28,759,879

The Commission recognizes CEBECO I management's prerogative to decide and choose the benefits and incentives that are feasible, after due consideration on parameters, such as the financial capability or operational status, before adopting and implementing any policy on benefits. Further, the Commission deems it proper that the granting of such allowances and benefits should not adversely affect the rates of CEBECO I. Its applicability should be borne on CEBECO I's generated revenues and net savings and should not be passed on to the consumers. The disallowed expenses were therefore excluded for revenue requirement determination.

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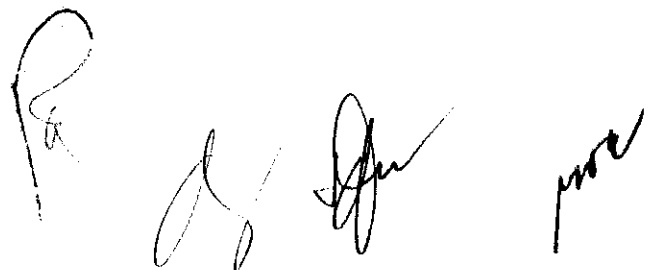
Relative thereto, the Commission disallows O & M expenses in the amount of PhP32,931,998.00 and provisionally approves an adjusted O & M in the amount of PhP28,759,879.00.

2.3. CASH WORKING CAPITAL (CWC) = PhP 0.00

The Working Capital is the amount allowed as part of the revenue requirement of the regulated distribution utilities to compensate for the delay between the cash inflows from customers and the cash outflows to suppliers. CEBECO I included an amount for cash working capital to provide allowance for purchased power costs and the expected assessment of the real property taxes levied by the Local Government Units (LGUs) concerned, among others.

Under the existing rate making methodology for ECs, the CWC is not part of the components of revenue requirement. However, the Commission may consider providing CWC for the ECs considering the fact that in the case of the Private Utilities (under the RORB methodology) CWC is usually allowed, as part of the rate base. In the calculation of the revenue requirement (inclusive of CWC) a reasonable return (maximum of 12%) on rate base is provided.

The Commission needs to conduct an analysis of relevant payables and receivables to determine the amount to be provided as CWC, such as a lead/lag study, among others.



The cash working capital allowance should approximate the cash requirements based on an estimate of the net lag in cash flow. A careful evaluation reveals that there is a need to review the actual lag in cash flow associated with the payments for purchased power and the inflow of cash from customers as submitted by CEBECO I and to determine if indeed CEBECO I needs a Cash Working Capital (CWC). There being no appropriate basis at the moment, the CWC is likewise disallowed.

2.4. OTHER REVENUE ITEMS (ORI) = PhP 2,516,607.00

Other revenues amounting to PhP 2,516,607.00 were deducted from the revenue requirements used to calculate the rates for the end-users. Shown below is the breakdown of the ORI.

OTHER REVENUE ITEMS	Amount (PhP)	50% of the total ORI
Reconnection Fees	20,169	
Inspection Maintenance	357,928	
Transformer Rental	1,599,594	
Pole Rental	6,336	
Multi Purpose Bldg. Rental	6,000	
Other Operating Fees	63,630	
Construction Labor Charge	2,979,556	
Total ORI	5,033,214	
50% of the ORI		2,516,607

Particulars	Amount (PhP)
CEBECO I's Application	837,780.00
Less: Commission's Computation	2,516,607.00
COMMISSION ADJUSTMENTS	1,678,827.00

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2.5. CAPITAL EXPENDITURE (CAPEX) Fund = PhP 18,845,041.00

The projects included in CEBECO I's proposed CAPEX Fund are contained in its application for approval of major electrical and non electrical capital projects. The said application was filed on August 23, 2006 docketed under ERC Case No. 2006-120 MC. Pending the approval of the CAPEX application, the same is excluded as allowable costs in the calculation of revenue requirement with the level of the Reinvestment Fund approved by the Commission in CEBECO I's unbundling being maintained.

In this regard, the amount of CAPEX Fund is equivalent to the level of reinvestment fund approved in CEBECO I's unbundled rates multiplied by the kWh sales for a given period. Pursuant to Resolution No. 05, Series of 2005 entitled "A Resolution Clarifying the Allocation of the Five Percent (5%) Reinvestment Fund", the PhP/kWh 5% reinvestment fund shall be calculated by dividing the amount of reinvestment funds incorporated in the approved revenue requirements of the ECs by the annualized kWh sales in arriving at their unbundled rates. The CAPEX Fund of PhP 18,845,040.50 was calculated as follows:

Particulars	Amount
Reinvestment Fund (per unbundling of rates) PhP	13,461,000
Divided by Annualized kWh Sales (per unbundling rates)	59,760,000
Multiplied by Annualized kWh Sales (per Rate Application)	83,662,404
CAPEX Fund PhP	18,845,041

Particulars	Amount (PhP)
CEBECO I's Application	54,352,852.00
Less: Commission's Computation	18,845,041.00
ADJUSTMENTS (decrease)	35,507,811.00

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The Commission considers the CAPEX Fund in the amount of PhP18,845,041.00 of CEBECO I pending the approval of its CAPEX application.

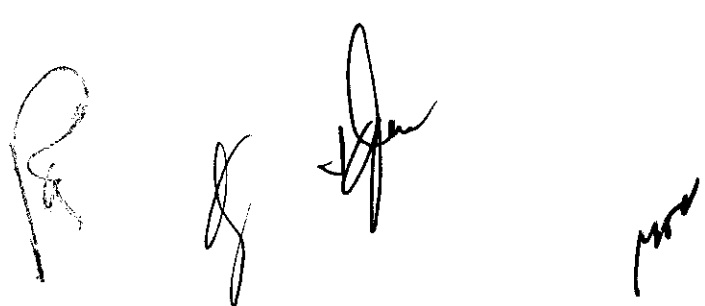
2.6. REVENUE REQUIREMENT SUMMARY

The table provided below is a comparison of the Commission's proposed adjusted revenue requirement with that proposed by CEBECO I.

ACCOUNT NAME	CEBECO I Application	COMMISSION Adjustments	COMMISSION APPROVED
Payroll	27,625,851	0	27,625,851
Operation & Maintenance (less PP & Payroll)	61,691,877	(32,931,998)	28,759,879
Cash Working Capital (CWC)	19,839,027	(19,839,027)	0
Debt Service	0	0	0
Other Revenue Items (ORI)	(837,780)	(1,678,827)	(2,516,607)
CAPEX Fund	54,352,852	(35,507,811)	18,845,041
Total Revenue Requirement	162,671,827	(89,957,663)	72,714,164

Table showing the Comparison of CEBECO I's proposal (rounded-off) vis-à-vis the Commission's approved Revenue Requirement (rounded-off)

The Commission after considering the adjustment of PhP 89,957,663 approves a total revenue requirement of CEBECO I in the amount of PhP 72,714,164.



2.7. CEBECO I's PROPOSED CHANGES IN CUSTOMER CLASSIFICATION

CEBECO I proposed to create a new customer class – General Power—consisting of the following: residential, commercial, industrial and public buildings customers.

The following figure shows CEBECO I's proposed re-classification of the existing customer classes to the new customer classes:

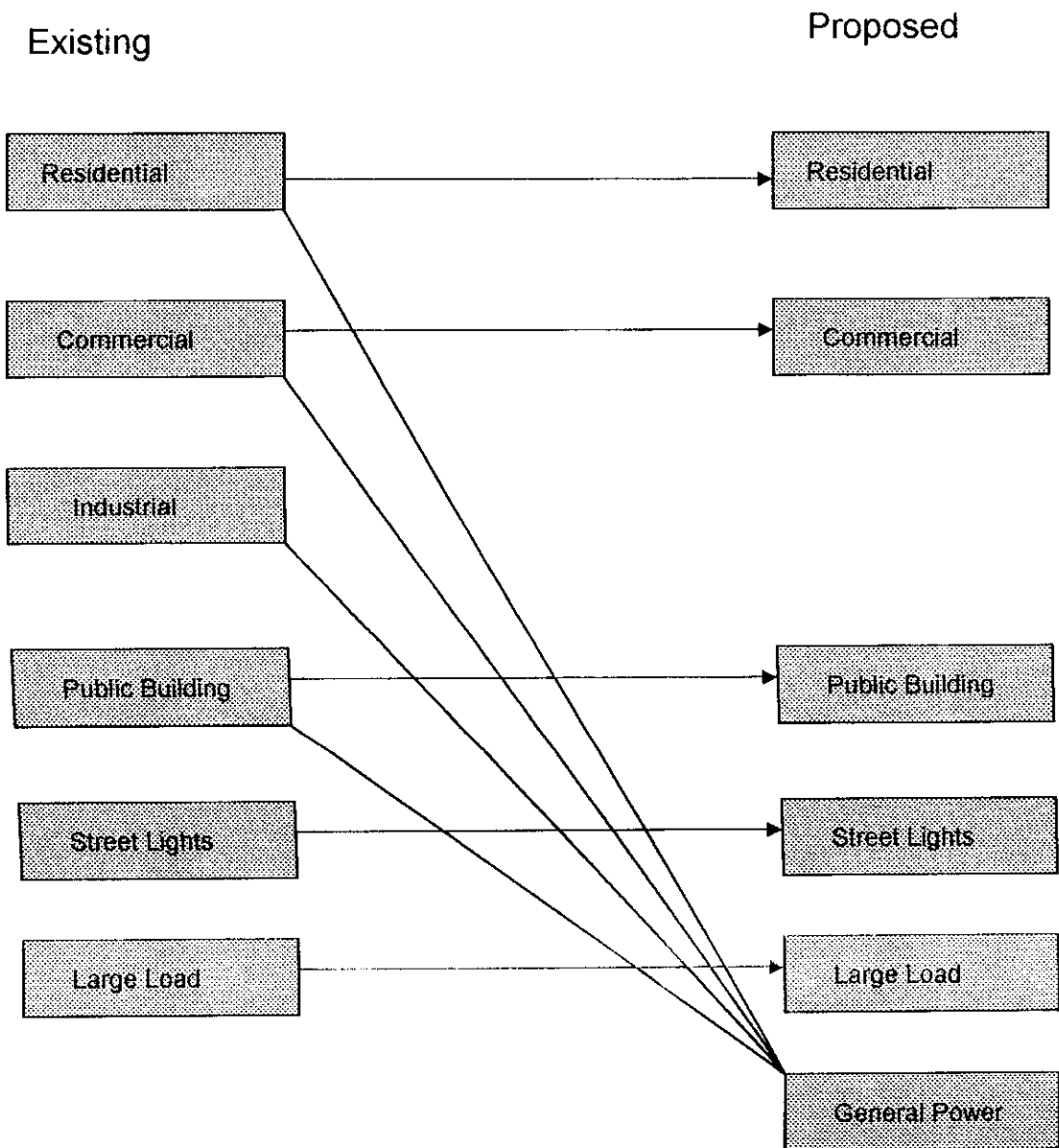


Figure 1: Comparison of CEBECO I's Proposed and Existing Customer Class

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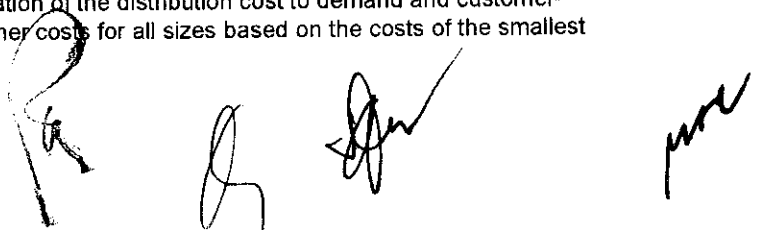
CEBECO I failed to justify its proposal for the creation of a new customer class. Further, no documentation was provided to support its proposal. Pending the submission of additional documents at the evidentiary hearing of this case, the Commission deems it proper to retain the existing customer classes of CEBECO I as approved by the Commission in its unbundling of rates.

2.8. FUNCTIONALIZATION, CLASSIFICATION and CUSTOMER CLASS ALLOCATION

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

However, for certain distribution costs, CEBECO I submitted the allocation of distribution costs into demand and customer-related costs using the Minimum-Plant Method². Under this method, CEBECO I submitted a summary of its inventory of: Poles, Towers and Fixtures; Overhead (OH) and Underground (UG) Conductors; Line Transformers; and the corresponding costs. The cost of the smallest (actual) size of the transformer (for instance) is multiplied by the total number of transformers, then divided by the total cost of the transformers. This method resulted to the following customer-demand split:

² The Minimum- Plant Method is a tool in the allocation of the distribution cost to demand and customer-related. This method takes into account the customer costs for all sizes based on the costs of the smallest (actual) size of the wire or transformer.

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Poles, Towers and Fixtures		
	PhP	Allocation (%)
Customer	44,324,494	43
Demand	58,555,166	57
<i>Total</i>	<i>102,879,660</i>	<i>100</i>
<i>OH and UG Conductor and Devices</i>		
Customer	24,022,960	35
Demand	44,850,977	65
<i>Total</i>	<i>68,873,937</i>	<i>100</i>
<i>Transformer</i>		
Customer	15,400,226	27
Demand	41,628,183	73
<i>Total</i>	<i>57,028,409</i>	<i>100</i>
AVERAGE		
Customer		35
Demand		65

Table showing the Demand-Customer Split

The Commission finds that the calculation of customer-demand split in order and thus, allows the same in the CEBECO I's rate design.

2.9. RATE DESIGN

2.9.1. DISTRIBUTION CHARGE

CEBECO I proposed to bill its distribution charge on a fixed rate per kiloWatt-hour for the following customer classes: Residential, Commercial, Public Building, and Street Lights. For its Industrial and Large Load customers, CEBECO I proposed to bill its distribution charge using a combination of fixed rate per kiloWatt (kW) and fixed rate per kiloWatt-hour (kWh). CEBECO I opted to retain its fixed rate per kilowatt (kW) and the remaining balance of the revenue requirement for Large Load customers is being proposed to be recovered through a fixed rate per kiloWatt-hour (kWh).

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Pursuant to the Commission's decision in CEBECO I's unbundling of rate application in ERC Case No. 2001-959 dated March 28, 2003, CEBECO I is hereby directed to adopt the rate design of fixed rate per kilowatt (kW) in charging its Large Load customers. However, for all the other customer classes, the Commission allows CEBECO I to use the proposed rate design, it being consistent with the approved unbundled rates.

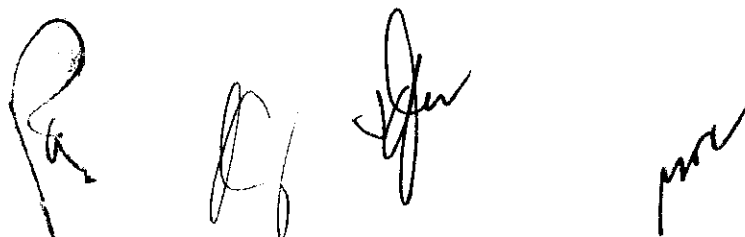
2.9.2. METERING CHARGE

CEBECO I proposed to bill its metering charge on a fixed monthly rate per meter for all its customer classes except for Residential customers. For its Residential customers, it proposed to bill its metering charge using a combination of fixed monthly rate per meter of PhP5.00 and fixed monthly rate per kilowatthour (kWh).

The Commission finds that this particular rate design is consistent with the Commission's decision in CEBECO I's unbundling of rate application in ERC Case No. 2001-959 dated March 28, 2003, hence, the same is accepted.

2.9.3. SUPPLY CHARGE

CEBECO I proposed to bill its supply charge as a fixed monthly rate per customer for all its customer classes except Residential customers. On the other hand, for the residential customers of CEBECO I the supply charge shall be a monthly rate per kiloWatthour (kWh).



The Commission finds that this particular rate design is consistent with the Commission's decision in CEBECO I's unbundling of rate application in ERC Case No. 2001-959 dated March 28, 2003, hence, the same is accepted.

2.9.4. REMOVAL OF INTER-CLASS CROSS SUBSIDY

CEBECO I is hereby directed to completely remove its inter-class cross subsidies pursuant to the Commission's directive in the Order dated April 14, 2005 under ERC Case No. 2001-959.

2.9.5. LIFELINE RATE and LEVEL

CEBECO I proposed a lifeline rate discount and subsidy for the marginalized end-users based on test year 2004 frequency distribution of its residential customers, to wit:

kWh Consumption	Level of Discount
15 kWh and below	50%
16	40%
17	30%
18	20%
19	10%
20	5%

Accordingly, the proposed lifeline subsidy of CEBECO I for the non-lifeline customers is PhP0.01582 per kWh.

A further evaluation of CEBECO I's application discloses that the number of end-users that will benefit from said discounts represent twenty percent (20%)



of the total number of residential consumers, while the kWh consumption represents two percent (2%) of the total kWh sales for the month.

The Commission likewise accepts the proposed Lifeline Threshold and Discount Levels of CEBECO I as approved by the Commission in its decision in CEBECO I's unbundled rate application in ERC Case No. 2001-959. However, the resulting lifeline subsidy to be shouldered by the non-lifeline customers would amount to PhP0.0887/kWh.

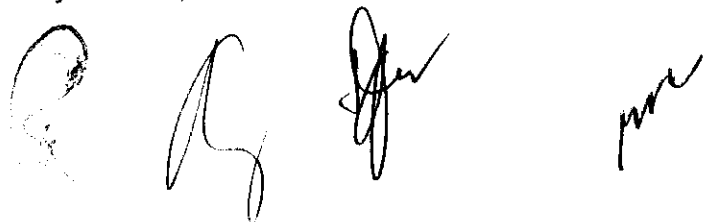
CEBECO I shall apply these discounts to the following residential charges: Generation, Transmission, Distribution, Supply, Metering and System Loss. In a given billing period, an end-user, at any of the above-consumption levels shall be given the specified corresponding discount on each of these rate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

The cost of subsidy to lifeline end-users shall be passed on to all non-lifeline end-users. CEBECO I's lifeline discounts result in a Lifeline Rate Subsidy by other end-users in an amount equal to PhP 0.0887 per kWh.

2.9.6. OTHER CHARGES

CEBECO I proposed to include the various legitimate Other Charges as part of its other services for due consideration and approval of the Commission, to wit:

2.9.6.1. *Permanent Charges* – to be included a 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;

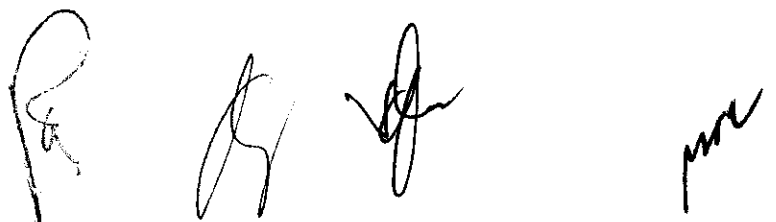


- 2.9.6.2. *Conditional Charges* - to be included in the monthly bill of the customer conditioned on the use of the subject equipment, i.e. Transformer Rental and Core Loss;
- 2.9.6.3. *Temporary Charges* – to be included in the monthly bill until permanently liquidated, i.e. kiloWatt-hour Meter Deposit, Tampering Charges, and Surcharges.
- 2.9.6.4. *Non-Recurring Rates* – include, among others, Line Construction Charges, Account Initiation Charge, Service Call Charge and Surcharge for Delinquent Payment.

The Commission **DENIES** CEBECO I's proposal to include in its application the approval of the following charges: Permanent Charges, Conditional Charges, Temporary Charges and Non-Recurring Rates. The aforementioned charges should be included in CEBECO I's application for approval of its "Other Charges" as contained in the Commission's Decision in its unbundling of rates.

Based on the Commission's Decision in CEBECO I's unbundling rate application, the "wage adjustments do not warrant an automatic recovery clause. x x x. The growth in kWh sales will be sufficient for the electric cooperative to absorb increases in salaries/wages mandated by the wage orders." The Commission disallows the inclusion of the Wage Adjustment Clause.

The Tax Recovery Clause is already addressed in the Commission's issuance of Resolution No. 02, Series of 2006 dated January 11, 2006 adopting a Tax Recovery Adjustment Charge (TRAC) formula in the rates of the Electric Cooperatives (ECs) for the recovery of the taxes imposed by the local government unit.



2.10. SCHEDULE OF RATES :

After considering all the adjustments made on CEBECO I's application, the Commission came up with the following rate schedule:

Customer Type		Residential	Commercial	Industrial	Public Building	Street Lights	Large Load
Distribution Charges:							
Demand Charge	PhP/KW			50.00			118.67
Distribution System Charge	PhP/kWh	0.6329	0.5048	1.4414	0.5935	0.9130	
Supply Charges:							
Retail Customer Charge	PhP/cust/mo		15.32	15.32	15.32	15.32	15.32
Supply System Charge	PhP/kWh	0.2062					
Metering Charges:							
Retail Customer Charge	PhP/Meter/mo	5.00	49.09	384.16	49.09	49.09	21,643.27
Metering System Charge	PhP/kWh	0.0810					
Universal Charge:							
Missionary Electrification	PhP/kWh	0.0373	0.0373	0.0373	0.0373	0.0373	0.0373
Environmental Charge	PhP/kWh	0.0025	0.0025	0.0025	0.0025	0.0025	0.0025
Lifeline Rate (Discount)/ Subsidy	PhP/kWh	0.0887	0.0887	0.0887	0.0887	0.0887	0.0887
Power Act Rate Reduction	PhP/kWh	(0.2700)					

Schedule of Rates

2.11. COMPARISON of CALCULATED RATES VS. EXISTING

A comparison on the revenue requirement pertaining to Distribution Costs using the rates based on CEBECO I's actual existing rates as of August 2006 against the rates calculated by the Commission is shown below:

Customer Type		Residential	Commercial	Industrial	Public Building	Street Lights	Large Load
Distribution Charges:							
Demand Charge	PhP/KW			50.00			118.67
Distribution System Charge	PhP/kWh	0.6329	0.5048	1.4414	0.5935	0.9130	
Supply Charges:							
Retail Customer Charge	PhP/cust/mo		15.32	15.32	15.32	15.32	15.32
Supply System Charge	PhP/kWh	0.2062					
Metering Charges:							
Retail Customer Charge	PhP/Meter/mo	5.00	49.09	384.16	49.09	49.09	21,643.27
Metering System Charge	PhP/kWh	0.0810					
Loan Condonation							
	PhP/kWh						
TOTAL							
	PhP/kWh			50.00			118.67
	PhP/kWh	0.9201	0.5048	1.4414	0.5935	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
PER CEBECO I Existing Rates							
Distribution Charges:							
Demand Charge	PhP/KW			19.80			165.83
Distribution System Charge	PhP/kWh	0.6584	0.5271	0.6955	0.8321	1.3854	
Supply Charges:							
Retail Customer Charge	PhP/cust/mo		14.22	14.22	14.22	14.22	14.22
Supply System Charge	PhP/kWh	0.2088					
Metering Charges:							
Retail Customer Charge	PhP/Meter/mo	5.00	19.18	228.92	19.18	19.18	345.29
Metering System Charge	PhP/kWh	0.2082					
Loan Condonation							
	PhP/cust/mo.		(5.4525)	(55.1595)	(5.4859)	(0.4628)	(82.7392)
Loan Condonation							
	PhP/kWh	(0.2904)	(0.1526)	(0.2075)	(0.2386)	(0.4724)	(0.1857)
TOTAL							
	PhP/kWh			19.80			165.83
	PhP/kWh	0.7850	0.3745	0.4880	0.5935	0.9130	(0.1857)
	PhP/cust/mo.		8.77	(40.94)	8.73	13.76	(68.52)
	PhP/meter/mo.	5.00	19.18	228.92	19.18	19.18	345.29
VARIANCE : INCREASE/(DECREASE)							
TOTAL							
	PhP/kWh			30.20			(47.16)
	PhP/kWh	0.1351	0.1303	0.9534	0.00	0.00	0.1857
	PhP/cust/mo.	0.00	6.55	56.26	6.59	1.56	83.84
	PhP/meter/mo.	0.00	29.91	155.24	29.91	29.91	21,297.98

Comparison of Calculated Rates vs. Existing Rates of CEBECO I

2.12. ESTIMATED IMPACT ON AVERAGE RESIDENTIAL CONSUMER

A comparison of the estimated impact of all adjustments on the revenue requirement pertaining to Distribution Costs on the monthly bill of an average residential end-user consuming 68 kWh a month using the rates based on CEBECO I's actual existing rates as of August 2006 against the rates determined by the Commission is shown below:

Based on ERC Approved Unbundled Rates (ERC Case No. 2001-959)			Based on the Commission Proposed Rates (ERC Case No. 2006-025 RC)		VARIANCE Increase/ (Decrease) (PhP/kWh)
	PhP/kWh	Amount (PhP)	PhP/kWh	Amount (PhP)	
Generation Charge	3.3173	225.58	3.3173	225.58	
Transmission Charge	0.9196	62.53	0.9196	0.9196	
System Loss	0.4296	29.21	0.4296	0.4296	
Distribution System Charge	0.6584	44.77	0.6329	43.04	(0.0255)
Supply Charge	0.2088	14.20	0.2062	14.02	(0.0026)
Metering Charges:					
Retail Metered Charge		5.00		5.00	
Metering System Charge	0.2082	14.16	0.0810	5.51	(0.1272)
Universal Charge:					
Missionary Electrification	0.0373	2.54	0.0373	2.54	
Environmental Charge	0.0025	0.17	0.0025	0.17	
Lifeline Rate (Discount)/ Subsidy	0.0887	6.03	0.0887	6.03	
Loan Condonation	-0.2904	(19.75)	0.00	0.00	0.2904
Power Act Reduction	-0.2700	(18.36)	-0.2700	(18.36)	
VAT on Generation Charge		2.03		2.03	
VAT on Transmission Charge		5.92		5.92	
VAT on System Loss Charge		1.01		1.01	
VAT on Distribution Charge		22.93		22.93	
VAT on Loan Condonation					
TOTAL		397.97		407.16	0.1351

Estimated Impact of the Proposed Rates on a Residential Customer

The Commission is convinced that the evidence presented were substantial and the current situation CEBECO I is confronted with, justify the grant of a provisional relief to CEBECO I and in the light of such evidence believes that the provisional rates set forth in this Order are just and reasonable.

WHEREFORE, based on the foregoing, and pursuant to Section 43(f) of the R.A. 9136, the Commission hereby **PROVISIONALLY AUTHORIZES** CEBECO I to implement the new Revised Rate Schedule. Should the rate adjustment provisionally authorized herein is found to be excessive or insufficient after final evaluation, the amount corresponding to the difference shall be accordingly refunded or collected in a manner to be determined by the Commission.

Consequently, CEBECO I is hereby directed to:

1. Adopt the provisionally approved Revised Rate Schedule to be implemented within the next billing period thereof.

REVISED RATE SCHEDULE

Customer Type		Residential	Commercial	Industrial	Public Building	Street Lights	Large Load
Distribution Charges:							
Demand Charge	PhP/kW			50.00			118.67
Distribution System Charge	PhP/kWh	0.6329	0.5048	1.4414	0.5935	0.9130	
Supply Charges:							
Retail Customer Charge	PhP/cust/mo		15.32	15.32	15.32	15.32	15.32
Supply System Charge	PhP/kWh	0.2062					
Metering Charges:							
Retail Customer Charge	PhP/Meter/mo	5.00	49.09	384.16	49.09	49.09	21,643.27
Metering System Charge	PhP/kWh	0.0810					
Universal Charge:							
Missionary Electrification	PhP/kWh	0.0373	0.0373	0.0373	0.0373	0.0373	0.0373
Environmental Charge	PhP/kWh	0.0025	0.0025	0.0025	0.0025	0.0025	0.0025
Lifeline Rate (Discount)/ Subsidy							
	PhP/kWh	0.0887	0.0887	0.0887	0.0887	0.0887	0.0887
Power Act Rate Reduction							
	PhP/kWh	(0.2700)					

2. to adopt the new lifeline levels and corresponding discounts, and lifeline subsidy for CEBECO I as provided below:

Maximum lifeline level : 20 kWh
 Maximum % of Discount : 50%
 Subsidy to Non-lifeline Customers : PhP0.0887/kWh

SO ORDERED.

Pasig City, September 20, 2006.


 RODOLFO B. ALBANO, JR.
 Chairman


 RAUF A. TAN
 Commissioner


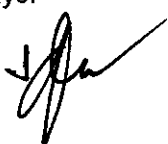

 ALEJANDRO Z. BARIN
 Commissioner


 MARIA TERESA A.R. CASTAÑEDA
 Commissioner


 JOSE C. REYES
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5. The Committee on Energy
House of Representatives
Batasan Hills, Quezon City
6. National Power Corporation
Diliman, Quezon City
7. National Electrification Administration
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Diliman, Quezon City
8. Cebu Electric Cooperative, Inc.
(CEBECO I)
Bitoon, Dumanjug, Cebu
9. The Municipal Mayor
Alcantara, Cebu
10. The Municipal Mayor
Alcoy, Cebu
11. The Municipal Mayor
Alegria, Cebu
12. The Municipal Mayor
Argao, Cebu
13. The Municipal Mayor
Badian, Cebu
14. The Municipal Mayor
Barili, Cebu
15. The Municipal Mayor
Boljoon, Cebu
16. The Municipal Mayor
Carcar, Cebu
17. The Municipal Mayor
Dalaguete, Cebu



18. The Municipal Mayor
Dumanjug, Cebu
19. The Municipal Mayor
Ginatilan, Cebu
20. The Municipal Mayor
Malabuyoc, Cebu
21. The Municipal Mayor
Moalboal, Cebu
22. The Municipal Mayor
Oslob, Cebu
23. The Municipal Mayor
Ronda, Cebu
24. The Municipal Mayor
Samboan, Cebu
25. The Municipal Mayor
Santander, Cebu
26. The Municipal Mayor
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