


On December 8, 1994, Republic Act No. 7832, otherwise known as the Anti-Pilferage Law, was enacted. In July 1995, the ERB promulgated the Implementing Rules and Regulations (IRR) under ERB Case No. 95-05, to implement said law. Section 10 of R.A. 7832 and Rule IX, Section 1 of its IRR provide that the recoverable Technical and Non-Technical System Loss should not exceed the fourteen percent (14%) ceiling allowed for year 2000.

The Commission believes that the present cap on Technical and Non-Technical System Loss of 14% should continue to be used in the calculation of revenue requirements at this time. This would, however, be subject to change upon the approval of a new policy by the Commission. The actual Technical and Non-Technical System Loss or cap of 14% plus 1% cooperative own use (which should not include personal consumption of CELCO's Board of Directors, officers and staff) whichever is lower shall be deducted from total power cost and to be billed separately as System Loss Charge.

The Commission found that CELCO's 2000 to 2002 average system loss was 18.09% which was higher than the aforementioned cap of 14%. Hence, the Commission used the system loss of cap of 14% in the calculation of CELCO's revenue requirement.





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II.B.2.c. DISTRIBUTION CHARGE

The distribution charge shall be billed on a fixed rate per kilowatt-hour for all end-users. Industrial customers shall be billed on a fixed rate per kWh and kW.

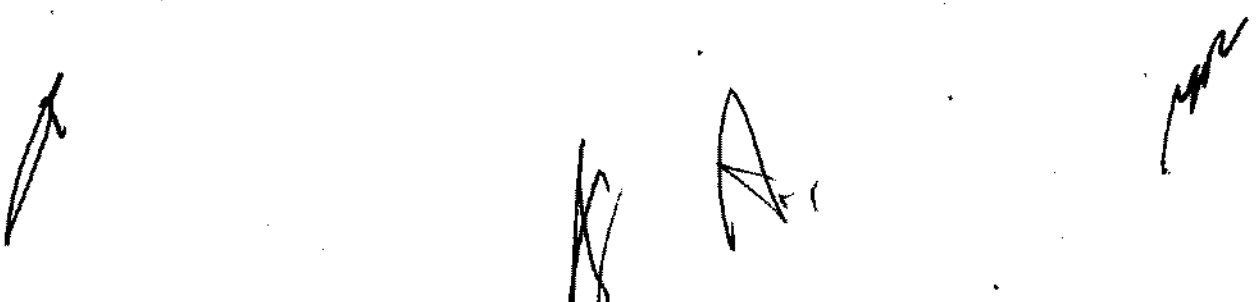
CELCO did not propose for distribution wheeling rates. However, the Commission believes that wheeling rates are parallel to the cost of service functionalized under Distribution. Thus, the Commission orders that the Distribution Charge provided on Rate Schedules be likewise utilized as Distribution Wheeling Charges available to the future contestable market. Other distribution utilities requesting to wheel power across CELCO's facilities shall pay wheeling charges equivalent to Distribution Wheeling Charges for Industrial customers.

The Commission's decision to allow a distribution utility to avail of the Distribution Wheeling Charges of another distribution utility is based on the general intent of R.A. 9136 to promote a competitive generation market. Distribution utilities that currently or in the future shall rely in full or in part on the distribution facilities of another distribution utility should not be held captive by the other distribution utility in the purchase of unbundled generation. Therefore, distribution utilities are prohibited from bundling or tying the sale of generated or purchased power with the sale of unbundled distribution wheeling service.



II.B.2.d. METERING and SUPPLY CHARGES

The Commission acknowledges that cost-causation rate design principle suggests 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. Although R.A. 9136 requires the removal of inter-class cross subsidies, the law does not require removal of revenue flows that may be characterized as intra-class cross subsidies. The Commission has the flexibility to consider other factors in determining rate design for a particular class of end-users. Therefore, to mitigate the impact on below-average consumption of residential end-users, the Commission orders CELCO to use a combination of PhP 5.00 per meter per month and PhP 0.5104 per kWh rate for the metering function and orders CELCO to use a PhP per kWh rate for the supply function. For Commercial, Industrial, Public Building and Street Lights end-users, metering charge shall be billed a fixed rate per meter per month. However, the unmetered Street Lights end-users will not be billed a metering charge. The supply charge shall be billed on a fixed rate per customer per month for all end-users (except the Residential).



II.B.3. INTER-CLASS CROSS SUBSIDY

II.B.3.a. CROSS SUBSIDY RATE CALCULATION

The inter-class cross subsidies in existing rates are as follows:

	Total	Residential	Commercial	Industrial	Public Buildings	Street Lights
New Cost-Based Revenue Requirement (PhP)	30,701,429	21,325,377	5,330,013	1,117,303	1,927,491	1,001,245
Existing Rates Revenue (PhP)	29,548,549	20,076,814	5,403,137	1,098,888	1,883,866	1,086,044
Total Change in Revenue (PhP)	1,152,880	1,248,763	(73,124)	18,415	43,625	(84,799)
Percentage Change In Revenue	3.90%					
Normalized Existing Revenue (PhP)	30,701,429	20,859,933	5,613,948	1,141,763	1,957,368	1,128,417
Inter-Class Cross Subsidy Amounts (PhP)		(465,444)	283,935	24,460	29,877	127,172
Class Billing Determinants (in kWh)	3,421,281	2,324,572	625,603	127,235	218,124	125,747
Inter-Class Cross Subsidy Rates (PhP/kWh)		(0.2002)	0.4539	0.1922	0.1370	1.0113

II.B.3.b. CROSS SUBSIDY REMOVAL




Section 74 of R.A. 9136 and Rule 16, Section 5 of its Implementing Rules and Regulations provide that the ERC shall issue a scheme for phasing out all cross subsidies including subsidies within Grids, between Grids, and between classes of end-users. The phasing out- period shall not exceed three (3) years from the establishment of the Universal Charge, which may be extended for a maximum period of one (1) year subject to certain conditions.

In the instant case, the Commission will order the cross subsidy removal process at a later date. Until such time, CELCO will continue to charge the inter-class cross subsidy rates set forth in Section II.B.3.a. above.

II.B.4. LIFELINE RATE and LEVEL

Section 4 (hh) of R.A. 9136 defines Lifeline Rate as the subsidized rate given to low-income captive market end-users who cannot afford to pay at full cost. Pursuant to Section 73 of R.A. 9136, the Commission hereby sets the level of lifeline consumption and its corresponding discount rates.

In determining the minimum lifeline level of consumption to be provided to the marginalized end-users, the Commission calculated the probable load requirement of typical low-income end-users by considering two (2) lighting facilities at 20 watts each and a 50-watt Radio that are being used for a reasonable number of hours. In setting the maximum level of lifeline consumption, the Commission may adjust the minimum level of consumption and/or level of the lifeline discount so as to maximize the benefit to low-income end-users while keeping the costs associated with such subsidy between PhP 0.05 and PhP 0.10 per kWh. Thus, the Commission sets the lifeline consumption maximum level of 12 kWh for CELCO. The Commission considers the impact that the subsidized Lifeline Rates will have on other end-users who must carry the costs associated with such subsidy. This fact, combined with the desire to maximize the benefit to as many marginalized end-users as possible has, led the Commission to adopt the following graduated scale for lifeline discount for CELCO. The graduated scale is also based on the recognition that individual end-user consumption may likely vary from month to month.






12 kWh and below - 10%

CELCO shall apply these discounts to the following residential charges: Generation, 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 12 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 CELCO, the lifeline discounts result in a Lifeline Rate Subsidy by other end-users equal to PhP 0.0616/kWh.

II.B.5. OTHER CHARGES

CELCO's additional submissions to this Commission of its existing Other Charges as previously presented were considered in the determination of its revenue requirement. Fifty percent (50%) of the revenues derived from these charges were appropriately deducted from the determination of the revenue requirement allowed to CELCO. In future cases filed after Other Charges have been established based on cost, the appropriate level of deduction of the revenue derived from these charges may be revisited.



The Other Charges of CELCO are hereby pegged at their existing levels until such time that the Commission sets new rates on the same. Further, CELCO is ordered to make a compliance filing on its Other Charges one (1) year from the date of this Decision using a format to be prescribed by the Commission.

The compliance filing for approval of Other Charges shall include rates that are cost-based, as well as, all supporting cost justifications for the rates, including but not limited to the amount of actual time and wages of employees performing each task encompassed by each type of Other Charges.

II.B.6. ESTIMATED IMPACT ON AVERAGE RESIDENTIAL CONSUMER

A comparison of the estimated impact of all adjustments to the revenue requirement on the monthly bill of an average residential end-user consuming 32 kWh a month using rates based on CELCO's actual existing rates as of August 2004 against the unbundled rates approved by the Commission is shown below.

	PhP/kWh	Amount (PhP)		PhP/kWh	Amount (PhP)
Basic Rate	4.4254	141.61	Generation Charge	5.6406	180.49
PPA	4.2097	134.71	Distribution Charge	1.3656	43.70
WAC	0.0000	0.00	System Loss Charge	0.9616	30.77
PAR	(0.3000)	(9.60)	Supply Charge	0.5352	17.13
Universal Charge:			Metering Charges:		
			Per Meter Per Month		5.00
Missionary Electrification	0.0373	1.20	Per kWh	0.5104	16.34
Environmental Share	0.0025	0.08	Inter-Class Cross Subsidy	(0.2002)	(6.41)
Rate Reduction due to Loan Condonation	(0.1449)	(4.64)	Universal Charge:		
			Missionary Electrification	0.0373	1.20
			Environmental Share	0.0025	0.08
			Lifeline Rate[(Discount)/Subsidy]	0.0616	1.98
			Power Act Reduction	(0.3000)	(9.60)
			Rate Reduction due to Loan Condonation	(0.1449)	(4.64)
TOTAL BILL		263.36	TOTAL BILL		276.03
PhP/kWh		8.2300	PhP/kWh		8.6259

DISPOSITION

WHEREFORE, the foregoing premises considered, it is hereby decided as follows:

- To approve the unbundled schedule of rates of CELCO to be effective on the first billing cycle thirty (30) days after receipt of this Decision:

		Residential	Commercial	Industrial	Public Buildings	Street Lights
Generation Charges:						
Generation System Charge	(PhP/kWh)	5.6404	5.6404	5.6404	5.6404	5.6404
System Loss Charge	(PhP/kWh)	0.9616	0.9616	0.9616	0.9616	0.9616
Distribution Charges:						
Demand Charge	(PhP/kW)			16.50		
Distribution System Charge	(PhP/kWh)	1.3656	1.2793	1.3678	1.3743	1.2086
Supply Charge:						
Retail Customer Charge	(PhP/Customer/Month)		19.68	27.43	18.56	20.46
Supply System Charge	(PhP/kWh)	0.5352				
Metering Charges:						
Retail Meter Charge	(PhP/Meter/Month)	5.00	52.21	208.86	52.21	20.89
Metering System Charge	(PhP/kWh)	0.5104				
Inter-Class Cross Subsidy Charge	(PhP/kWh)	(0.2002)	0.4539	0.1922	0.1370	1.0113
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
Lifeline Rate (Discount)/Subsidy	(PhP/kWh)	0.0616	0.0616	0.0616	0.0616	0.0616
Power Act Rate Reduction	(PhP/kWh)	(0.3000)				
Loan Condonation		(0.1449)	(0.1449)	(0.1449)	(0.1449)	(0.1449)
Lifeline Rate (Discount/Subsidy To be based on residential rate in a graduated scale as provided in Section II.B.4 of this Decision. Rate Reduction due to Loan Condonation as per ERC Order dated September 10, 2003 in Case No. 2003-352.						

2. To direct CELCO to comply with the following:
- a. Discontinue charging the PPA upon effectivity of the approved unbundled rates. CELCO shall automatically bill its end-users the new Generation Rate charged by NPC-SPUG as approved and authorized by the Commission;
 - b. Bill PhP 0.0373/kWh representing the missionary electrification portion of the Universal Charge in accordance with the Decision of the Commission in ERC Case No. 2002-165 (In the Matter of the Petition for the

Availment from the Universal Charge the Share for Missionary Electrification, NPC-SPUG, Applicant);

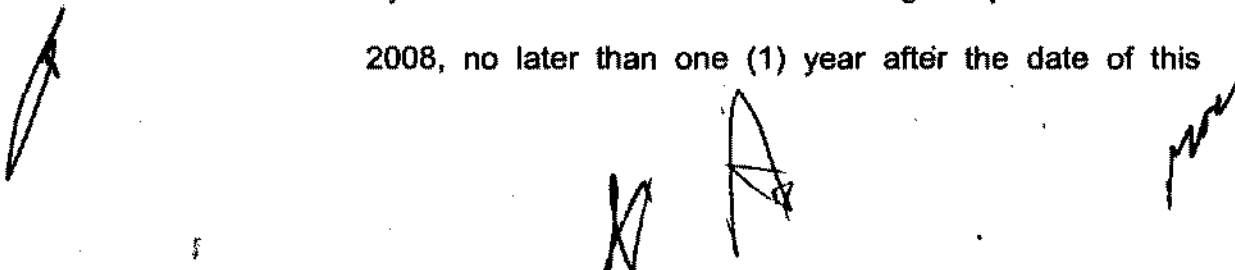
- c. Bill PhP 0.0025/kWh representing the environmental portion of the Universal Charge in accordance with the Decision of the Commission in ERC Case No. 2002-194 (In the Matter of the Petition for the Availment from the Universal Charge the Environmental Share/Charge for the Rehabilitation and Management of Watershed Areas, NPC, Applicant);
- d. Bill its respective end-users using a billing format, which contains at least the rate elements, provided in Annex A of this Decision upon effectivity of the approved unbundled rates. The rate elements provided in Annex A should appear on the end-user's bill even if the rate elements currently have value of zero or have not yet been determined by the Commission;
- e. Inform the end-users within its franchise area of the approved unbundled rates not later than thirty (30) days after receipt of this Decision;
- f. Submit for verification and confirmation purposes on or before the twentieth (20th) day of the month following the effectivity of the approved unbundled rates and every month thereafter: 1) five (5) sample bills for each end-user

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- class; 2) copy of the bills from the generation and transmission companies; and 3) Monthly Financial Statistical Reports (MFSRs), complete with all related schedules;
- g. Make a formal application with the Commission for the approval of existing or future contracts with any entity for the wholesale purchases of power not yet approved by the Commission;
- h. Make a formal application to continue the use of Other Charges within one (1) year from date of this Decision using a format to be prescribed by the Commission;
- i. File a progress report on the reinvestment fund no later than one (1) year after the date of this Decision and every year thereafter, using the prescribed formats provided in Annexes B and C of this Decision. The report shall include detailed accounting of actual collections and deposits (including interest/dividend income), specific transactions and withdrawals for all disbursements, and actual current system losses;
- j. Submit a new System Rehabilitation/Upgrading and/or System Loss Reduction Plan covering the period 2004 to 2008, no later than one (1) year after the date of this

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Decision using the format to be prescribed by the Commission; and

- k. Institute policies and procedures for cost-cutting and transparent and competitive procurement of goods and services and submit a report thereon to the Commission within six (6) months from receipt of this Decision.

SO ORDERED.

Pasig City, September 30, 2004



RODOLFO B. ALBANO, JR.
Chairman



OLIVER B. BUTALID
Commissioner



JESUS N. ALCORDO
Commissioner



RAUF A. TAN
Commissioner



ALEJANDRO Z. BARIN
Commissioner

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General Manager
Camotes Island Electric Cooperative, Inc. (CELCO)
Poro, Camotes Island Cebu 6049

SAMPLE BILLING FORMAT
(For Electric Cooperatives)

		Amount Due
I. Generation Charges		
Generation System Charge		
xxx kWh @ PhP xxx/kWh	PhP	xxx.xx
Franchise & Benefits to Host Communities Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
FOREX Adjustment Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
II. Transmission Charges¹		
Demand Charge		
xxx kW @ PhP xxx/kW		xxx.xx
Transmission System Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
III. System Loss Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
IV. Distribution Charges²		
Demand Charge (For customers with demand meters)		
xxx kW @ PhP xxx/kW		
Distribution System Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
V. Supply Charge		
xxx kWh @ PhP xxx/kWh or PhP xxx/customer/mo.		xxx.xx
VI. Metering Charge		
xxx kWh @ PhP xxx/kWh or PhP xxx/customer/mo.		xxx.xx
VII. Universal Charge		
NPC Stranded Debts		
xxx kWh @ PhP xxx/kWh		xxx.xx
NPC Stranded Contract Costs		
xxx kWh @ PhP xxx/kWh		xxx.xx
DUs Stranded Contract Costs		
xxx kWh @ PhP xxx/kWh		xxx.xx
Missionary Electrification		
xxx kWh @ PhP xxx/kWh		xxx.xx
Equalization of Taxes and Royalties		
xxx kWh @ PhP xxx/kWh		xxx.xx
Environmental Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
Cross-Subsidy Removal		
xxx kWh @ PhP xxx/kWh		xxx.xx
VIII Inter-Class Cross Subsidy Charge		
xxx kWh @ PhP xxx/kWh		xxx.xx
IX. Other Charges/Adjustments:		
Power Act Rate Reduction (For Residential Customers Only)		
xxx kWh @ PhP xxx/kWh		(xxx.xx)
Lifeline Rate (Discount)/Subsidy		
xxx kWh @ PhP xxx/kWh		(xxx.xx) ³
CURRENT AMOUNT DUE	PhP	xxx.xx
ADDITIONAL INFORMATION		
Questions on your bill?		
Please contact us anytime.		
Dial telephone numbers: _____		
SEE BACK FOR OTHER IMPORTANT INFORMATION		

¹ Charges for sub-transmission facilities acquired by Distribution Utility shall form part of the Distribution Charge.

² Pursuant to Section 60 of R.A. 9136, savings realized by electric cooperatives (ECs) due to the removal of the amortization payments of their loans with NEA shall be passed on to its customers; hence this rate shall automatically be reduced by an amount corresponding to that portion of the rate representing that allocable to cost of amortization prior to condonation.

³ Discount or Charge

NAME OF COOPERATIVE
PROGRESS REPORT ON THE 5% REINVESTMENT FUND - Reinvestment Schedule A
 For the one (1) year period covering (Start of the Effectivity of this Decision) to (11 months after)

Beginning Balance					Technical	Non-Technical
(Month 1)						
(Month 2)						
(Month 3)						
(Month 4)						
(Month 5)						
(Month 6)						
(Month 7)						
(Month 8)						
(Month 9)						
(Month 10)						
(Month 11)						
(Month 12)						
TOTAL						

This is to certify that the above is a true and correct statement of (Name of EC) Sinking Fund-Reinvestment Savings Account for the period covered _____. This is to further certify that the actual collection on the 5% Reinvestment were regularly deposited as received to the Sinking Fund-Reinvestment Savings Account.

¹ Actual Deposits should be within the same month as Actual Collections.
² Should conform with the Reinvestment Schedule B

Deadline for Submission: 30 days after end of Month 1

 Finance Manager/Accountant

 General Manager

ENERGY REGULATORY COMMISSION
Regulatory Operations Service

EXECUTIVE SUMMARY
CAMOTES ISLAND ELECTRIC COOPERATIVE, INC. (CELCO)
ERC Case No. 2001-948
Application for Approval of Unbundled Rates Pursuant
to the Provision of R.A. 9136

A. Franchise Area

- 4 Municipalities, all in the province of Camotes Island, Cebu (209 square kilometers)

Poro	Tudela
San Francisco	Pilar

B. Estimated Average Impact of the Approved Unbundled Rate on Different Customer Classes and Consumption Levels:

Customer Class/ Number of	Bundled Rate	Approved Unbundled Rate at Different Consumption Levels			Estimated Inc./(Dec.) Bundled Rate vs. Approved Unbundled Rate	
				PhP/kWh	PhP/Month	PhP/kWh
Residential 6,224 customers	8.2300	Below Ave.	28 kWh	8.6481	11.71	0.4181
		Ave.	32 kWh	8.6259	12.67	0.3958
		Above Ave.	178 kWh	8.4976	47.64	0.2676
Commercial 463 customers	8.5300	Below Ave.	188 kWh	8.6741	27.09	0.1441
		Ave.	235 kWh	8.5976	15.89	0.0676
		Above Ave.	563 kWh	8.4194	(62.27)	(0.1108)

Based on August 2004 sample bills

C. Customer Mix and KWh Consumption

Customer Class	Customers		Consumption	
	Number	Percent to Total	KWh	Percent to Total
Residential	6,224	89.11%	2,324,572	67.94%
Commercial	463	6.63%	625,603	18.29%
Industrial	33	0.47%	127,235	3.72%
Public Building	221	3.16%	218,124	6.38%
Street Lights	44	0.63%	125,747	3.68%
Total	6,985	100.00%	3,421,281	100.00%

D. General Statistics

Net Loss for the Year 2000 : PhP 3,998,085
Source of Power : NPC - SPUG
Number of Employees : 34
% of Barangay Energization : 84%
NEA Categorization & Classification*
as of Year 2000 : D and Small

* A+ is best operated and E is lowest.

E. OTHER SALIENT ISSUES

1. Lifeline Rate

- Lifeline consumption maximum level - 12 kWh
- Graduated scale for lifeline discount:

<u>Consumption Level</u>		<u>Discount on Rate</u>
10 kWh and below	-	10%
11 kWh	-	10%
12 kWh	-	10%

Note: The graduated scale is also based on the recognition that individual end-user consumption may likely vary from month to month.

- Lifeline Subsidy Charge to other end-users - PhP 0.0616/kWh. This shall be applied only to all non-lifeline end-users.

2. Discussion on Cross Subsidy Removal still pending

- The Commission will order the cross subsidy removal process at a later date following the establishment of the Universal Charge. Until such time, CELCO will continue to charge the existing inter-class cross subsidy rates.