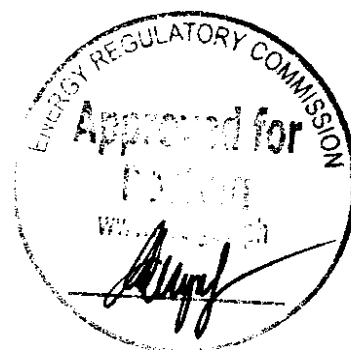


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig



IN THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE UNBUNDLED
RATES PURSUANT TO THE
PROVISIONS OF REPUBLIC ACT NO.
9136

ERC CASE NO. 2001-990

ZAMBALES II ELECTRIC
COOPERATIVE, INC. (ZAMECO II),
Applicant.

x-----x

D O C K E T E D
Date: JAN 14 2013
By: *[Signature]*

O R D E R

The Commission, in its Decisions in the applications for unbundling of rates filed by various Distribution Utilities (DUs), including Zambales II Electric Cooperative, Inc. (ZAMECO II), deducted from the supply, metering and/or distribution functions of their revenue requirements, fifty percent (50%) of the total Prompt Payment Discount (PPD) on the National Power Corporation (NPC) bills for generation and transmission which the DUs availed of in the Year 2000. This is in accordance with Section 26 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), which provides that:

“Sec. 26. Distribution Related Businesses. – Distribution utilities may, directly or indirectly, engage in any related business undertaking which maximizes the utilization of their assets: Provided, That a 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 the ERC: Provided, further, That such portion of net income used to reduce their distribution wheeling charges shall not exceed fifty percent (50%) of the net income derived from such

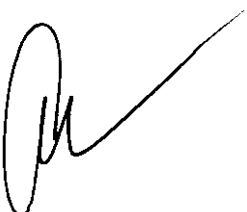
undertaking: Provided, finally, That separate accounts are maintained for each business undertaking to ensure that the distribution business shall neither subsidize in any way such business undertaking nor encumber its distribution assets in any way to support such business."

Subsequently, the "*Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates of Distribution Utilities*", which rationalized the pass through of the DUs' generation costs to their customers using the Automatic Generation Rate Adjustment Mechanism (AGRA) was promulgated. It was resolved that the discounts availed by the DUs pertaining to power supply should be considered in the determination of their generation costs consistent with the said provision of the EPIRA.

Considering that the fifty percent (50%) PPD availed by the DUs in 2000 had already been deducted pursuant to their rate unbundling Decisions, the Commission, by virtue of Resolution No. 12, Series of 2005, allowed its reinstatement.

On June 16, 2005, ZAMECO II filed its "Motion for Reconsideration" relative to the Commission's Decision in ERC Case No. 2001-990 dated March 7, 2005, raising the following issues: a) Operations and Maintenance (O & M); b) Payroll and Retirement Pay; c) Other Revenue Items (ORI); and d) Other Issues.

On April 25, 2007, the Commission issued an Order denying the aforesaid "Motion for Reconsideration" and directing ZAMECO II to implement



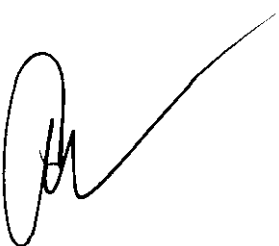
the approved unbundled rates in the immediately succeeding billing period.

It was only in April 2008 that ZAMECO II was able to implement its unbundled rates. Thus, it was not among those DUs who received an Order from the Commission to reinstate its PPD in accordance with Resolution No. 12, Series of 2005.

Had ZAMECO II implemented its unbundling of rates on time, it should have been entitled to recover the PPD from the date it implemented the AGRA, which coincided with the implementation of its unbundled rates, until the month before the implementation of its new rate adjustment under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR) in ERC Case No. 2009-126 RC.

The calculation of the adjustment should incorporate the amount of supply charge as authorized by the Commission that was due to the consumers but was not implemented.

After a thorough evaluation, the total amount to be recovered by ZAMECO II was calculated at PhP8,542,223.14, representing the difference between the revenue at the unbundled rates and the revenue at the revised rates covering the period April 2008 (when ZAMECO II started to implement its unbundled rates) to December 2009 (a month before the implementation of the RSEC-WR), broken down as follows:



Type of Consumers	Total kWh Sales (Apr. 08- Dec. 09)	Total Number of Consumers (Apr. 08- Dec. 09)	Unit/s	UFR Rate	Revenue at Unbundled Rates Supply Charges	Revised UFR RATE	Revenue at Revised Rates (Reins PPD)	Difference
Residential	102,106,840		PhP/kWh	0.1892	19,318,614.13	0.2601	26,557,989.08	7,239,374.96
		1,030,038	PhP/cust/mo				-	0.00
Commercial	22,045,756		PhP/kWh	0.0000	0.00	0.0000	-	0.00
		71,449	PhP/cust/mo	22.2600	1,590,454.74	30.4200	2,173,478.58	583,023.84
Industrial	13,612,323		PhP/kWh	0.0000	0.00	0.0000	-	0.00
		1,454	PhP/cust/mo	327.3200	475,923.28	450.6600	655,259.64	179,336.36
Public Building	9,281,211		PhP/kWh	0.0000	0.00	0.0000	-	0.00
		9,675	PhP/cust/mo	71.8700	695,342.25	98.9500	957,341.25	261,999.00
Street Lights	1,011,706		PhP/kWh	0.0000	0.00	0.0000	-	0.00
		43,582	PhP/cust/mo	16.9600	739,150.72	23.3500	1,017,639.70	278,488.98
TOTAL	148,057,836	1,156,198	PhP/kWh		22,819,485.12		31,361,708.25	8,542,223.14

Given that the adjustment was reflected only in the Supply Charge (in PhP/kWh or in PhP/customer/month) and in order to separate the adjustment from the existing RSEC-WR rates, ZAMECO II is directed to reflect it in the bill as a separate line item expressed in PhP/kWh for all types of customers.

ZAMECO II's total under-recovery of PhP8,542,223.14 is equivalent to an average rate of PhP0.0443/kWh to be recovered for a period of twenty-four (24) months, as follows:

Type of Consumer	* Projected kWh Sales for 24 months	Total Amount of Recovery (in PhP)	Amount to be Recovered (PhP/kWh)
Residential	126,808,122	7,239,374.96	0.0571
Commercial	29,282,143	583,023.84	0.0199
Industrial	18,318,842	179,336.36	0.0098
Public Building	17,194,765	261,999.00	0.0152
Street Lights	1,251,397	278,488.98	0.2225
TOTAL	192,855,269	8,542,223	0.0443

*Based on average kWh Sales for the year 2010 and 2011

The Commission believes that the implementation of the said rate adjustment will allow ZAMECO II to recover the amount that was deducted from its revenue requirement.

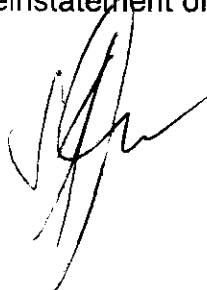
WHEREFORE, the foregoing premises considered, Zambales II Electric Cooperative, Inc. (ZAMECO II) is hereby authorized to recover the total amount of Eight Million Five Hundred Forty-Two Thousand Two Hundred Twenty-Three Pesos (PhP8,542,223.00), equivalent to an average rate of PhP0.0443/kWh, starting the next billing cycle from receipt of this Order.

Shown below is the amount to be recovered by ZAMECO II per customer class using the twenty-four (24) month recovery period:

Type of Consumer	Unit/s	Adjustment to be collected in 24 months
Residential	PhP/kWh	0.0571
Commercial	PhP/kWh	0.0199
Industrial	PhP/kWh	0.0098
Public Bldg.	PhP/kWh	0.0152
Street Lights	PhP/kWh	0.2225

In connection therewith, ZAMECO II is hereby directed to comply with the following:

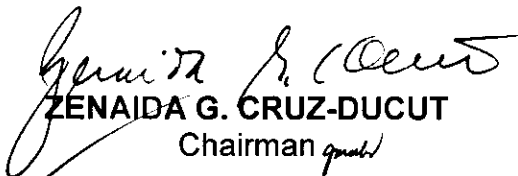
1. Submit, within ten (10) days from the initial implementation hereof, a sworn statement indicating its compliance with the aforesaid directive;
2. Reflect the Recovery Charge under a separate line item "Under-Recovery Due to Reinstatement of PPD" in PhP/kWh; and

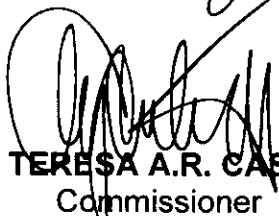


3. Accomplish and submit a report in accordance with the attached prescribed format (marked as Annex "A") on or before the 30th day of the month and every month thereafter, until the total amount shall have been fully recovered.

SO ORDERED.

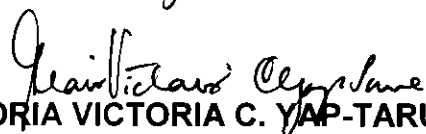
Pasig City, November 5, 2012.


ZENAIDA G. CRUZ-DUCUT
Chairman *quasi*


MARIA TERESA A.R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner


ALFREDO J. NON
Commissioner


GLORIA VICTORIA C. YAP-TARUC
Commissioner

Copy Furnished:

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2. **Atty. Juanita R. Gueco**
Counsel for Oppositor Cascona
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3. **ZAMBALES II ELECTRIC COOPERATIVE, INC. (ZAMECO II)**
Brgy. Magsaysay, Castillejos, Zambales
4. **Castillejos Consumers Association, Inc.**
c/o Dominador A. Gallardo
017 National Road, Brgy. Del Pilar
Castillejos, zambales
5. **Atty. Lourdy Torres**
Counsel for Oppositors Florentino, Radoc, Nabos, Manzano, Fernandez
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6. **Sangguniang Bayan**
Municipality of Cabangan, Zambales
7. **Sangguniang Bayan**
Municipality of San Narciso, Zambales
8. **Zambaleña, Cabangan Chapter**
c/o Sangguniang Bayan
Municipality of Cabangan
9. **Association of Barangay Captains, Cabangan Chapter**
c/o Sangguniang Bayan
Municipality of Cabangan
10. **Cabangan Market Vendors' Association**
c/o Sangguniang Bayan
Municipality of Cabangan
11. **National Electrification Administration**
NIA Road, Diliman, Quezon City
12. **THE OFFICE OF THE SOLICITOR GENERAL**
234 Amoroso Street, Legaspi Village, Makati City
Metro Manila
13. **THE COMMISSION ON AUDIT**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila

14. **THE COMMITTEE ON ENERGY**
House of the Senate
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
15. **THE COMMITTEE ON ENERGY**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
16. **Power Sector Assets & Liabilities Management Corporation**
7/F Bankmer Building, 6756 Ayala Avenue, Makati City
17. **THE MUNICIPAL MAYOR**
Cabangan, Zambales
18. **THE MUNICIPAL MAYOR**
Castillejos, Zambales
19. **THE MUNICIPAL MAYOR**
San Antonio, Zambales
20. **THE MUNICIPAL MAYOR**
San Marcelino, Zambales
21. **THE MUNICIPAL MAYOR**
San Narciso, Zambales
22. **THE MUNICIPAL MAYOR**
Subic, Zambales

Name of EC : ZAMECO II
 ERC Case No. : _____
 Decision Date : _____
 Total Amount of Adjustment : 8,542,223.00
 Rate per kWh (PhP/kWh): _____

NOTE: This report should be submitted on or before the 30th day of the month from the implementation of refund/(collect) and every month thereafter until the total amount has been fully refunded/(collected).

**Monthly Collection of Prompt Payment Discount (PPD)
 Amount of Adjustment
 For the Period Covering _____**

Month / Year	kWh Sold ¹	Amount Refunded/(Collected) PhP	Balance PhP
Beginning Balance			8,542,223.00
TOTAL			
Ending Balance			0.00

¹/ Indicate whether the kWh sold used in the calculation of refund/collect pertains to kWh sold of the current or previous month.

Prepared by: _____ Reviewed by: _____ Certified True and Correct: _____
 (Name & Position) Finance/Billing Manager General Manager