



Republic of the Philippines  
NATIONAL ELECTRIFICATION ADMINISTRATION  
Quezon City

August 9, 2005

**MEMORANDUM**

**TO : ALL ELECTRIC COOPERATIVES (ECs)**

**SUBJECT : PROPOSED STANDARD FORMULA FOR NON-POWER COST**

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Please submit your comments on the proposed Standard Formula for Non-Power Cost to email address [SSANDIEGO@NEA.GOV.PH](mailto:SSANDIEGO@NEA.GOV.PH) or [abiestrella@yahoo.com](mailto:abiestrella@yahoo.com) or [rouchellejane@yahoo.com](mailto:rouchellejane@yahoo.com) on or before August 24, 2005.

Thank you.

  
**SONIA B. SAN DIEGO**  
OIC, Finance Services Department



**PROPOSED  
STANDARD FORMULA  
FOR NON-POWER COST**

# Standard Formula for Non-Power Costs of ECs

The volatility of the price of electricity resulted to the distortion of the existing standard for non-power cost of ECs. Statistics show that power cost alone already comprises 80% to 90% of the sales revenue, leaving 10% only for operating expenses, debt service, other capital expenditures and sinking funds.



# 2004 POWER & NON-POWER COST LEVEL

EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)
<b>REGION I</b>						
CENPELCO	ML	74	83	24	12	812
INEC	ML	74	76	24	20	1,569
ISECO	ML	74	79	24	18	1,150
LUELCO	ML	74	76	24	21	1,304
PANELCO I	EL	73	78	25	24	1,211
PANELCO III	ML	74	82	24	14	1,304

## NON POWER

POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## CAR

ABRECO	L	72	66	27	31	1,730
BENECO	ML	74	87	24	15	1,563
IFELCO	M	70	69	29	35	1,342
KAELCO	L	72	70	27	31	1,273
MOPRECO	M	70	71	29	29	846

## NON POWER

POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## REGION II

BATANELCO	S	67	68	32	34	1,742
CAGELCO I	EL	73	88	25	16	1,019
CAGELCO II	EL	73	79	25	24	1,121
ISELCO I	ML	74	86	24	18	1,323
ISELCO II	EL	73	80	25	16	863
NUVELCO	EL	73	78	25	25	1,838

EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)
<b>REGION III</b>						
AURELCO	M	70	64	29	24	850
NEECO I	EL	73	77	25	17	1,402
NEECO II	EL	73	76	25	15	1,171
NMT	EL	73	78	25	17	1,368
PELCO I	EL	73	82	25	9	827
PELCO II	ML	74	92	24	13	1,178
PELCO III	EL	73	96	25	6	1,008
PENELCO	ML	74	84	24	14	1,734
PRESCO	M	70	76	29	17	1,323
SAJELCO	L	72	86	27	18	1,637
TARELCO I	ML	74	75	24	17	1,265
TARELCO II	EL	73	78	25	13	1,290
ZAMECO I	L	72	79	27	19	1,473



EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)
<b>REGION IV</b>						
BATELEC I	ML	74	79	24	16	1,402
BATELEC II	ML	74	83	24	11	1,474
BISELCO	S	67	63	32	26	1,674
FLECO	L	72	89	27	18	1,381
LUBELCO	S	67	59	32	43	997
MARELCO	L	72	70	27	24	1,093
OMEKO	L	72	74	27	25	1,520
ORMECO	ML	74	80	24	16	1,269
PALECO	EL	73	76	25	20	1,836
QUEZELCO I	ML	74	74	24	20	1,197
QUEZELCO II	M	70	77	29	24	4,561
ROMELCO	M	70	72	29	24	1,345
TIELCO	M	70	66	29	28	1,291

EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)
<b>REGION V</b>						
ALECO	ML	74	94	24	12	979
CANORECO	EL	73	75	25	23	1,671
CASURECO I	L	72	78	27	28	1,272
CASURECO II	EL	73	82	25	15	2,282
CASURECO III	L	72	76	27	20	1,210
CASURECO IV	L	72	73	27	24	1,208
FICELCO	L	72	58	27	29	1,405
MASELCO	L	72	78	27	17	1,484
SORECO I	L	72	77	27	24	858
SORECO II	EL	73	71	25	27	1,510
TISELCO	S	67	80	32	18	598

EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)

REGION VI

AKELCO	EL	73	73	25	20	1,437
ANTECO	L	72	68	27	24	1,381
CAPELCO	EL	73	80	25	21	1,304
CENECO	ML	74	90	24	9	1,551
GUIMELCO	M	70	72	29	23	1,206
ILECO I	EL	73	77	25	19	1,392
ILECO II	EL	73	73	25	19	1,330
ILECO III	L	72	71	27	20	1,465
NOCECO	ML	74	79	24	18	1,272
VRESCO	EL	73	80	25	16	1,418

EC	CLASS	POWER COST (%)		NON POWER LEVEL		NON POWER
		STD.	ACTUAL	STD.	%	COST/CUSTOMER (P)
<b>REGION VII</b>						
BANELCO	M	70	87	29	19	1,196
BOHECO I	EL	73	67	25	29	1,138
BOHECO II	EL	73	72	25	20	743
CELCO	S	67	77	32	18	775
CEBECO I	EL	73	78	25	18	1,172
CEBECO II	ML	74	80	24	19	1,521
CEBECO III	EL	73	82	25	20	1,480
NORECO I	L	72	78	27	20	1,160
NORECO II	ML	74	81	24	15	1,375
PROSIELCO	M	70	79	29	21	1,196

## NON POWER

## POWER COST (%)      NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## REGION VIII

BILECO	M	70	70	29	27	1,384
LEYECO I	L	72	80	27	25	1,186
LEYECO II	EL	73	86	25	12	1,922
LEYECO III	M	70	70	29	23	1,117
LEYECO IV	L	72	75	27	28	1,277
LEYECO V	EL	73	81	25	16	1,144
SOLECO	L	72	80	27	19	884
SAMELCO I	M	70	75	29	21	1,137
SAMELCO II	L	72	74	27	19	1,080
ESAMELCO	L	72	78	27	21	1,157
NORSAMELCO	L	72	74	27	23	1,285

## NON POWER

POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## REGION IX

ZAMCELCO	ML	74	90	24	10	1,506
ZAMSURECO I	ML	74	72	24	19	1,216
ZAMSURECO II	EL	73	70	25	24	1,071
ZANECO	ML	74	83	24	20	1,107

## NON POWER

POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## ARMM

BASELCO	M	70	81	29	21	1,352
CASELCO	S	67	NDA	32	NDA	NDA
MAGELCO	EL	73	NDA	25	NDA	NDA
SIASELCO	S	67	73	32	33	1,779
SULECO	M	70	104	29	18	1,512
TAWELCO	S	67	111	32	18	1,624
LASURECO	-	-	NDA	0	NDA	NDA

## NON POWER

## POWER COST (%)      NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## REGION X

BUSECO	EL	73	74	25	20	1,196
CAMELCO	M	70	63	29	36	1,635
FIBECO	ML	74	72	24	20	927
LANECO	EL	73	69	25	29	1,108
MOELCI I	L	72	63	27	31	1,415
MOELCI II	EL	73	76	25	18	1,311
MORESCO I	EL	73	70	25	19	1,543
MORESCO II	L	72	83	27	21	1,166



## NON POWER

POWER COST (%)    NON POWER LEVEL    COST/CUSTOMER  
 STD.    ACTUAL    STD.    %    (P)

EC

CLASS

### CARAGA

ANECO	ML	74	80	24	18	1,640
ASELCO	EL	73	70	25	33	1,637
DIELCO	S	67	66	32	29	1,003
SIARELCO	ML	74	45	29	36	1,245
SURNECO	L	72	82	27	18	916
SURSECO I	EL	73	67	25	29	1,239

# NON POWER

## POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC CLASS STD. ACTUAL STD. % (P)

### REGION XI

DANECO	ML	74	81	24	17	1,338
DASURECO	ML	74	74	24	19	1,386
DORECO	EL	73	65	25	27	1,509


## NON POWER

## POWER COST (%) NON POWER LEVEL COST/CUSTOMER

EC	CLASS	STD.	ACTUAL	STD.	%	(P)
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## REGION XII

COTELCO	ML	74	70	24	25	1,568
SOCOTECO I	EL	73	75	25	19	1,562
SOCOTECO II	ML	74	83	24	14	1,766
SUKELCO	EL	73	77	25	19	1,439



Thus, there is a need to establish a new non-power cost standard not only to attune to the needs of the present environment but also to ensure that ECs earn positive net margin and maintain acceptable levels of solvency and stability.

The following were considered in the formulation:

- 1 Distribution, Metering, Supply and Loan Condonation as the basic components of EC's rate.
- 2.Reinvestment component is computed based on the derived rate (Reinvestment Fund divided by the Billing Determinants in kwh) multiplied by the projected kwh sales.
- 3.Debt Service is not limited to loans obtained from NEA but also includes loans from other lending institutions. This is based on actual payment for the year and should not be used to cover the excess cost of Systems Loss.
- 4.Desired net margin is included as a measure of financial performance of the EC.
- 5.Non-power cost is computed on accrual basis to reflect the true cost of operations. This includes provision for retirement of officers and employees.
- 6.The ECs' non-power cost level is determined based on the respective unbundled rate.

**EC Unbundled Rate**

**P xxx**

===

**Cost of Power**

Generation System Charge

**P xxx**

Transmission System Charge

xxx

Systems Loss Charge

xxx

Franchise & Benefit to Host.

Comm. Charges

xxx

FOREX Adjustment Charge

xxx

ICERA

xxx

FPCA Under-Recovery Charge

xxx

**Total Cost of Power**

**P xxx**

## Coop Rate/ Charges

Distribution	P xxx
Supply	xxx
Metering	xxx
Loan Condonation	<u>xxx</u>
<b>Total Coop Rate</b>	<b>P xxx</b>
Less: Reinvestment	xxx
Debt Service (NEA & Other Lending Institutions)	xxx
Desired Net Margin	<u>xxx</u>
<b>*Non-Power Cost Component</b>	<b>P xxx</b>
	<u>===</u>

**\* Inclusive of provision for retirement of officers and employees.**

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### SIASELCO

(Small)

	Standard	Rate/kwh (Residential)	2004 Actual (1,179 kwh)	%	2005 Projected (1,515 kwh)	%
EC Unbundled Rate	P	<u>8.1105</u>	P <u>9,562</u>	100	P <u>12,287</u>	100
Cost of Power						
Generation System Charges		4.8024	5,662		7,276	
System Loss Charge		<u>0.6099</u>	<u>719</u>		<u>924</u>	
Total Cost of Power		5.4123	6,381	67	8,200	67
Coop Rate/Charges						
Distribution		1.4218	1,676		2,154	
Supply		0.7376	870		1,117	
Metering		0.8240	971		1,248	
Loan Condonation		<u>(0.2852)</u>	<u>(336)</u>		<u>(432)</u>	
Total Coop Rate		2.6982	3,181	33	4,088	33
Less: Reinvestment		0.3952	466		599	
Debt Service (NEA & Other Lending Institutions)		xxx	0		1,092	
Desired Net Margin (1%)		<u>0.0270</u>	<u>(336)</u>		<u>41</u>	
Non-Power Cost Component	32%	P <u>          </u>	P <u>3,051 *</u>		P <u>2,356 *</u>	
Non-Power Cost/Customer	P	1,380	P	1,736	P	1,321
			* Actual		* Estimate	
			P	2,975	P	5,115



# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### BILECO

(Medium)

	<u>Standard</u>	<u>Rate/kwh (Residential)</u>	<u>2004 Actual (10,548 kwh)</u>	<u>%</u>	<u>2005 Projected (14,802 kwh)</u>	<u>%</u>
EC Unbundled Rate		P <u>6.3987</u>	P <u>67,493</u>	100	P <u>94,714</u>	100
Cost of Power						
Generation System Charges		2.5752	27,163		38,118	
Franchise & Benefit to Host Com. Charges		0.0177	187		262	
FPCA		0.0500	527		740	
Transmission System Charge		0.7207	7,602		10,668	
System Loss Charge		0.5611	5,918		8,305	
Total Cost of Power		<u>3.9247</u>	<u>41,398</u>	61	<u>58,093</u>	61
Coop Rate/Charges						
Distribution		1.2477	13,161		18,468	
Supply		0.5136	5,417		7,602	
Metering		0.9262	9,770		13,710	
Loan Condonation		(0.2135)	(2,252)		(3,160)	
Total Coop Rate		<u>2.4740</u>	<u>26,096</u>	39	<u>36,620</u>	39
Less: Reinvestment		0.3183	3,357		4,711	
Debt Service (NEA & Other Lending Institutions)		xxx	534		0	
Desired Net Margin (1%)		0.0247	377		366	
Non-Power Cost Component	29%	P <u>        </u>	P <u>21,827</u> *		P <u>31,542</u> *	
Non-Power Cost/Customer	P	1,380	P	1,373	P	1,932
			* Actual		* Estimate	
			P	22,127	P	26,050

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### FLECO

(Large)

		Rate/kwh (Residential)	2004 Actual (40,981 kwh)	%	2005 Projected (64,594 kwh)	%
	Standard					
EC Unbundled Rate		P 4.9908	P 204,528	100	P 322,376	100
Cost of Power						
Generation System Charges		2.1258	87,117		137,314	
Franchise & Benefit to Host Com. Charges		0.0245	1,004		1,583	
FOREX Adjustment Charge		0.2506	10,270		16,187	
Transmission System Charge		0.8391	34,387		54,201	
System Loss Charge		0.5349	21,921		34,551	
Total Cost of Power		3.7749	154,699	76	243,836	76
Coop Rate/Charges						
Distribution		1.0673	43,739		68,941	
Supply		0.4864	19,933		31,419	
Metering		0.1892	7,754		12,221	
Loan Condonation		(0.5270)	(21,597)		(34,041)	
Total Coop Rate		1.2159	49,829	24	78,540	24
Less: Reinvestment		0.2645	10,839		17,085	
Debt Service (NEA & Other Lending Institutions)		xxx	577		14,571	
Desired Net Margin (1%)		0.0122	(29,144)		785	
Non-Power Cost Component	27% P		P 67,556 *		P 46,098 *	
Non-Power Cost/Customer	P	1,380	P 1,700		P 1,161	
			* Actual		* Estimate	
			P 58,333		P 52,685	

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### CEBECO I

(Extra Large)

			Rate/kwh	2004 Actual		2005 Projected	
	Standard		(Residential)	(72,369 kwh)	%	(82,202 kwh)	%
EC Unbundled Rate		P	<u>4.5662</u>	P <u>330,451</u>	100	P <u>375,351</u>	100
Cost of Power							
Generation System Charges			2.4586	177,926		202,102	
Transmission System Charge			0.7577	54,834		62,284	
System Loss Charge			<u>0.2745</u>	<u>19,865</u>		<u>22,564</u>	
Total Cost of Power			<u>3.4908</u>	<u>252,626</u>	76	<u>286,951</u>	76
Coop Rate/Charges							
Distribution			0.6584	47,648		54,122	
Supply			0.2088	15,111		17,164	
Metering			0.2082	15,067		17,114	
Loan Condonation			0.0000	-		0	
Total Coop Rate			<u>1.0754</u>	<u>77,826</u>	24	<u>88,400</u>	24
Less: Reinvestment			0.2253	16,305		18,520	
Debt Service (NEA & Other Lending							
Institutions)			xxx	6,969		17,346	
Desired Net Margin (1%)			<u>0.0108</u>	<u>(3,723)</u>		<u>884</u>	
Non-Power Cost Component	P	25%	<u><u>          </u></u>	P <u><u>58,275</u></u> *		P <u><u>51,650</u></u> *	
Non-Power Cost/Customer	P	1,380		P 971		P 836	
				* Actual		* Estimate	
				P 79,305		P 98,516	

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### SOCOTECO II

(Mega Large)

	Standard	Rate/kwh (Residential)	2004 Actual (351,147 kwh)	%	2005 Projected (375,765 kwh)	%
EC Unbundled Rate		P <u>3.3894</u>	P <u>1,190,178</u>	100	P <u>1,273,618</u>	100
Cost of Power						
Generation System Charges		1.0730	376,781		403,196	
Franchise & Benefit to Host Com. Charges		0.0282	9,902		10,597	
ICERA		0.2207	77,498		82,931	
Transmission System Charge		0.9680	339,910		363,741	
System Loss Charge		0.3371	118,372		126,670	
Total Cost of Power		<u>2.6270</u>	<u>922,463</u>	78	<u>987,135</u>	78
Coop Rate/Charges						
Distribution		0.3861	135,578		145,083	
Supply		0.2057	72,231		77,295	
Metering		0.1955	68,649		73,462	
Loan Condonation		(0.0249)	(8,744)		(9,357)	
Total Coop Rate		<u>0.7624</u>	<u>267,714</u>	22	<u>286,483</u>	22
Less: Reinvestment		0.1632	57,307		61,325	
Debt Service (NEA & Other Lending Institutions)		xxx	34,262		51,303	
Desired Net Margin (1%)		0.0076	5,547		2,865	
Non-Power Cost Component	24%	P <u>          </u>	P <u>170,598 *</u>		P <u>170,991 *</u>	
Non-Power Cost/Customer	P	1,380	P	1,601	P	1,589
			* Actual		* Estimate	
			P	156,527	P	156,358

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### CEBECO II

(Mega Large)

	Standard	Rate/kwh (Residential)	2004 Actual (104,231 kwh)	%	2005 Projected (116,950 kwh)	%
EC Unbundled Rate		P <u>5.0750</u>	P <u>528,972</u>	100	P <u>593,521</u>	100
Cost of Power						
Generation System Charges		2.0837	217,186		243,689	
Franchise & Benefit to Host Com. Charges		0.0177	1,845		2,070	
FOREX Adjustment Charge		0.2506	26,120		29,308	
Transmission System Charge		1.0372	108,108		121,301	
System Loss Charge		0.3401	35,449		39,775	
Total Cost of Power		<u>3.7293</u>	<u>388,709</u>	73	<u>436,142</u>	73
Coop Rate/Charges						
Distribution		0.9547	99,509		111,652	
Supply		0.1323	13,790		15,472	
Metering		0.2587	26,965		30,255	
Loan Condonation		0.0000	-		0	
Total Coop Rate		<u>1.3457</u>	<u>140,264</u>	27	<u>157,380</u>	27
Less: Reinvestment		0.2333	24,317		27,284	
Debt Service (NEA & Other Lending Institutions)		xxx	5,084		5,334	
Desired Net Margin (1%)		0.0135	(19,305)		1,574	
Non-Power Cost Component	24%	P <u>          </u>	P <u>130,168 *</u>		P <u>123,187 *</u>	
Non-Power Cost/Customer	P	1,380	P	1,702	P	1,510
			* Actual		* Estimate	
			P 100,313		P 130,098	

# National Electrification Administration

## Proposed Computation of Non-Power Cost

(In Thousand)

### CEBECO III

(Mega Large)

	<u>Standard</u>	<u>Rate/kwh (Residential)</u>	<u>2004 Actual (70,677 kwh)</u>	<u>%</u>	<u>2005 Projected (100,829 kwh)</u>	<u>%</u>
EC Unbundled Rate		P <u>4.8793</u>	P <u>344,854</u>	100	P <u>491,975</u>	100
Cost of Power						
Generation System Charges		2.6587	187,909		268,074	
Benefit to Host Comm. Charges		0.0177	1,251		1,785	
FPCA Under-Recovery Charge		0.0500	3,534		5,041	
ICERA		(0.0065)	(459)		(655)	
Transmission System Charge		0.2161	15,273		21,789	
System Loss Charge		0.2008	14,192		20,246	
Total Cost of Power		<u>3.1368</u>	<u>221,700</u>	64	<u>316,280</u>	64
Coop Rate/Charges						
Distribution		1.0409	73,568		104,953	
Supply		0.2816	19,903		28,393	
Metering		0.4321	30,540		43,568	
Loan Condonation		(0.0121)	(855)		-1,220	
Total Coop Rate		<u>1.7425</u>	<u>123,155</u>	36	<u>175,695</u>	36
Less: Reinvestment		0.2109	14,906		21,265	
Debt Service (NEA & Other Lending Institutions)		xxx	18,834		5,132	
Desired Net Margin (1%)		<u>0.0174</u>	<u>(14,395)</u>		<u>1,757</u>	
Non-Power Cost Component	24%	P <u>          </u>	P <u>103,810 *</u>		P <u>147,541 *</u>	
Non-Power Cost/Customer	P	1,380	P	2,436	P	3,388
			* Actual		* Estimate	
			P	61,224	P	80,122