



Republic of the Philippines
National Electrification Administration
Quezon City

September 01, 2005

NEA MEMORANDUM No. 2005-029

TO : ALL ELECTRIC COOPERATIVES (ECs)

SUBJECT : Standard Formula for Non-Power Cost of Electric Cooperatives

The volatility of the price of electricity and the rising cost of operation of a distribution utility resulted to the distortion of the existing non-power cost standard for electric cooperatives. It is imperative therefore that a new standard is adopted to attune to the needs of the present environment and ensure operational efficiency in maintaining acceptable levels of solvency and stability.

While the present rate structure of some ECs does not reflect the true, and recoverable cost of service, the total allowable non-power expenses that the ECs may incur shall not exceed the non-power cost component computed based on the attached formula. taking into consideration the desired net margin as a measure of financial performance of EC and debt service provision for loans obtained from NEA and other lending institutions.

This supersedes the memorandum on Standards for Non-Power Cost of Electric Cooperatives issued on November 25, 2003 and will take effect starting CY 2006 budget preparation.

For strict compliance.


EDITA S. BUENO
Administrator



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STANDARD FORMULA FOR NON-POWER COST OF ECs

	Rate/ KWH	KWH Sales	Amount
EC Unbundled Rate	P <u>xxx</u>	<u>xxx</u>	<u>Pxxx</u>
Cost of Power			
Generation System Charge	P xxx	xxx	Pxxx
Transmission System Charge	xxx	xxx	xxx
Systems Loss Charge	xxx	xxx	xxx
Franchise & Benefit to Host.			
Comm. Charges	xxx	xxx	xxx
FOREX Adjustment Charge	xxx	xxx	xxx
ICERA	xxx	xxx	xxx
FPCA Under-Recovery Charge	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Cost of Power	P xxx	xxx	Pxxx
Coop Rate/ Charges			
Distribution	P xxx	xxx	Pxxx
Supply	xxx	xxx	xxx
Metering	xxx	xxx	xxx
Loan Condonation	<u>xxx</u>	<u>xxx</u>	<u>xxx</u>
Total Coop Rate	P xxx	xxx	Pxxx
Less: Reinvestment			xxx
Debt Service (NEA & Other Lending Institutions)			xxx
Desired Net Margin			<u>xxx</u>
*Non-Power Cost Component			<u>Pxxx</u>

* Inclusive of provision for retirement of officers and employees.