

[**ERC RESOLUTION NO. 05, S. 2005, April 07, 2005**]

A RESOLUTION CLARIFYING THE ALLOCATION OF THE FIVE PERCENT (5%) REINVESTMENT FUND

WHEREAS, Section 36 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) mandated the filing by all distribution utilities of their respective applications for unbundling of rates;

WHEREAS, on various dates, the Commission has resolved and decided the unbundling applications of the electric cooperatives (ECs);

WHEREAS, in the aforementioned Decisions, the Commission required the maintenance by the ECs of Reinvestment Funds equivalent to five percent (5%) of their Gross Revenues to finance the expansion, rehabilitation and upgrading of their existing electric power system;

WHEREAS, the ECs are presently allocating the 5% Reinvestment Funds from their gross sales or revenues;

WHEREAS, increases in generation and transmission costs result in a corresponding increase in the 5% reinvestment fund allotment;

WHEREAS, if the increase in gross revenue is caused by any increase in generation or transmission costs, the same will result to the corresponding increase in the allotment to the reinvestment fund of the same amount allotted to generation and transmission costs;

WHEREAS, the aforementioned scenario ultimately affects the financial viability of the ECs;

WHEREAS, pursuant to its mandate to fix reasonable rates under Section 43 (f) of the EPIRA, the Commission deems it prudent to issue a clarification on the allocation of the 5% Reinvestment Fund.

NOW, WHEREFORE, BE IT RESOLVED, AS IT IS HEREBY RESOLVED that all Electric Cooperatives shall allocate their reinvestment funds from their Gross Revenues using the same level of Php/kWh 5% reinvestment fund approved in their unbundled rates multiplied by the kWh sales for a given period. The said Php/kWh 5% reinvestment fund shall be calculated by dividing the amount of reinvestment funds incorporated in their approved revenue requirements by the annualized kWh sales used in determining their unbundled rates. The reinvestment fund shall be computed under this method effective upon approval of each Electric Cooperative's unbundled rates.

This Resolution shall take effect immediately.

SO ORDERED.

Adopted: 7 April 2005

(SGD.) RODOLFO B. ALBANO, JR.
Chairman

(SGD.) JESUS N. ALCORDO
Commissioner

(SGD.) RAUF A. TAN
Commissioner

(SGD.) ALEJANDRO Z. BARIN
Commissioner

(SGD.) OLIVER B. BUTALID
Commissioner



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