

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



**IN THE MATTER
OF THE APPLICATION FOR
APPROVAL OF PROPOSED
ELECTRIC UNPLANNED
CAPITAL EXPENDITURE
PROJECTS FOR THE YEAR
2018 AND FOR PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-079 RC

**TARLAC II ELECTRIC
COOPERATIVE, INC.**

Applicant.

X-----X

D O C K E T E D
Date: AUG 03 2018
By: W

ORDER

On 19 July 2018, Tarlac II Electric Cooperative, Inc. (TARELCO II) filed an *Application* dated 21 May 2018, seeking approval of its proposed electric unplanned Capital Expenditure (CAPEX) Projects for the year 2018 with prayer for provisional authority.

TARELCO II alleged the following in its *Application*:

1. Applicant is an Electric Cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. San Nicolas Poblacion, Concepcion, Tarlac;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution services in the five (5) municipalities, namely the Municipalities of Capas, Bamban, Concepcion and La Paz in the Province of Tarlac and Municipality of Zaragoza in the Province of Nueva Ecija;
3. That pursuant to ERC Resolution No. 26 Series of 2009, and in accordance with Section 3.5 and other provision of Article III of the Amended Rules for the Approval of Regulated Entities Unplanned Capital Expenditures Projects; and

likewise in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of its One-year Unplanned Capital Expenditure projects for the year 2018, due to the sudden increased of demand causing Jefmin and Rizal Substation loading issue, as follows:

Proposed Unplanned CAPEX Projects

	Project Title	Project Type	2018	Total Cost
1	Construction of New 5 MVA S/S in Magunting, Sto. Rosario, Concepcion, Tarlac.	Capacity	32,289,155.29	32,289,155.29
2	Construction of New 10 MVA S/S in Zaragoza Nueva Ecija	Capacity	67,773,998.33	67,773,998.33
3	Purchase of Service Vehicles	Service efficiency	990,000.00	990,000.00
Total Unplanned CAPEX Projects				₱101,053,153.62

4. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submits the following documents, as follows:

- Historical and Forecast Planning Data
- Technical and Engineering Analysis
- Project Financial and Economic Cost Benefit Analysis
- Project Cost Estimates
- Project Descriptions and System Study of the Projects
- Proposed GANTT CHART Schedule
- System Map
- Single Line Diagram of the System
- Board Resolution approving the Proposed Projects
- Sworn Statement

PROJECT DESCRIPTION

5. The components of this Unplanned Capital Expenditures Project is a continuation of the expansion, rehabilitation and upgrading of various facilities of the electric cooperative for sustainable growth and development in order to render a more reliable and efficient service to all its customers in all its area coverage.

BENEFITS

6. It aims to further enhance the reliability programs geared towards the delivery of a more efficient and satisfying electric service to its member consumers.

FINANCING PLAN & RATE IMPACT

7. The implementation of the proposed Unplanned CAPEX will not entail any rate adjustment since the Cooperative will not secure

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any loan and will only utilize its Reinvestment Fund for Sustainable Capital Expenditures (RFSC) funds.

A. ANNUAL COST

SOURCE OF FUNDS	TOTAL COST FINANCED	2017	2018	2019
RFSC	101,053,153.62		101,053,153.62	
Total	101,053,153.62	-	101,053,153.62	-

B. FINANCIAL REQUIREMENTS

SOURCE OF FUNDS	TOTAL COST FINANCED	2017	2018	2019	REMARKS
RFSC	101,053,153.62		101,053,153.62		
CAPEX Permit Fee	757,898.65		757,898.65		Filing fee (Payable to ERC)
TOTAL	101,811,052.27	-	101,811,052.27	-	

C. RATE IMPACT ANALYSIS

	2017	2018	2019	2020	2021	2022	2023	TOTAL
Forecasted energy sales, kWh	281,266,218.41	311,489,219.63	342,327,921.72	373,574,917.87	405,074,561.58	436,708,856.23	468,387,611.99	2,618,829,307.43
Cash Balance beginning, PhP, excess/(shortfall)	22,861,869.54	2,422,595.78	(85,633,362.12)	(60,006,917.22)	50,410,864.59	169,976,142.94	298,728,020.44	22,861,869.54
CASH INFLOWS								
Current year collection @PhP0.2904/kWh	81,679,709.83	90,456,469.38	99,412,028.47	108,486,156.15	117,633,652.68	126,820,251.85	136,019,762.52	760,508,030.88
50% of income leased properties	1,931,625.66	1,931,625.66	1,931,625.66	1,931,625.66	1,931,625.66	1,931,625.66	1,931,625.66	13,521,379.62
Total Cash Inflows, PhP	83,611,335.49	92,388,095.04	101,343,654.13	110,417,781.81	119,565,278.34	128,751,877.51	137,951,388.18	774,029,410.50
Available cash for disbursement	106,473,205.03	94,810,690.82	15,710,292.00	50,410,864.59	169,976,142.94	298,728,020.44	436,679,408.63	796,891,280.04
CASH OUTFLOWS								
CAPEX requirement(per applicationERC Case No.2017-022RC)	103,276,038.95	78,047,643.35	75,153,557.54					256,477,239.84
Unplanned CAPEX		101,053,153.62						101,053,153.62
ERC Permit Fee, PhP	774,570.29	1,343,255.98	563,651.68	-	-	-	-	2,681,477.95
Total Cash Out flows, PhP	104,050,609.24	180,444,052.95	75,717,209.22	-	-	-	-	360,211,871.41
Cash balance ending, Php, excess/(shortfall)	2,422,595.78	(85,633,362.12)	(60,006,917.22)	50,410,864.59	169,976,142.94	298,728,020.44	436,679,408.63	436,679,408.63
Excess/(shortfall) on RFSC, PhP/kWh	0.01	(0.27)	(0.18)	0.13	0.42	0.68	0.93	1.73
Reinvestment fund rate								0.2904

COMPLIANCE WITH PRE-FILING AND OTHER DOCUMENTARY REQUIREMENTS

8. Finally, in compliance with the pre- filing and other documentary requirements under the ERC Rules of Practice and as well as ERC Resolution 26, Series of 2009, TARELCO II is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex No.	Nature of Document
A	TARELCO II Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents.
B	Proof of Furnishing copies of the application to the Sanguniang Bayan of Bamban, Capas, Concepcion, Lapaz, & Zaragoza, and Sanguniang Panlalawigan of Tarlac and Nueva Ecija.
C	Publication of the Application in a newspaper of general circulation within TARELCO II franchise area.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed to the Honorable Commission to render a decision approving the following:

- Proposed Capital Project in the total amount of Php. 101,053,153.62;

In view of the need to immediately implement the various projects which are necessary to replace the old equipment and to acquire new or additional materials and equipment.

Other relief/s just and equitable in the premises are likewise prayed

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **07 November 2018 (Wednesday) at nine o'clock in the morning (9:00 A.M.), at TARELCO II's Principal Office at Brgy. San Nicolas Poblacion, Concepcion, Tarlac.**

Accordingly, TARELCO II is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area with copies of this Order and the attached Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on

Energy of both Houses of Congress with copies of this Order and the attached Notice of Public Hearing. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and

- 5) Furnish all those making requests with copies of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the other means employed by Applicants to inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial

Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

TARELCO II must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 01 August 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO

zv

LS: LS/APV *smear*



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Copy Furnished:

1. Atty. Zenon S. Suarez
Counsel for Applicant
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Cor. BMA St., Quezon City
2. Tarlac II Electric Cooperative, Inc. (TARELCO II)
Applicant
Brgy. San Nicolas Poblacion, Concepcion, Tarlac
3. Office of the Municipal Mayor
Concepcion, Tarlac
4. Office of the Local Government Unit (LGU) legislative body
Concepcion, Tarlac
5. Office of the Municipal Mayor
Capas, Tarlac
6. Office of the LGU legislative body
Capas, Tarlac
7. Office of the Municipal Mayor
La Paz, Tarlac
8. Office of the LGU legislative body
La Paz, Tarlac
9. Office of the Municipal Mayor
Bamban, Tarlac
10. Office of the LGU legislative body
Bamban, Tarlac
11. Office of the Municipal Mayor
Zaragoza, Nueva Ecija
12. Office of the LGU legislative body
Zaragoza, Nueva Ecija
13. Office of the Governor
Province of Tarlac
14. Office of the Sangguniang Panlalawigan
Province of Tarlac
15. Office of the Governor
Province of Nueva Ecija
16. Office of the Sangguniang Panlalawigan
Province of Nueva Ecija
17. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
18. Commission on Audit
Commonwealth Avenue, Quezon City
19. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
20. House Committee on Energy
Batasan Hills, Quezon City
21. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP), 1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
22. Regulatory Operations Service
17th Floor Pacific Center, San Miguel Avenue, Pasig City