

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF CAPITAL
EXPENDITURE PROGRAM
FOR YEARS 2015 TO 2017,
WITH MOTION FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2019-007 RC

**ISABELA I ELECTRIC
COOPERATIVE, INC.
(ISELCO I),
Applicant.**

Promulgated
FEB 21 2019

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ORDER

On 01 February 2019, Isabela I Electric Cooperative, Inc. (ISELCO I) filed an *Application* dated 10 October 2018, seeking the Commission's approval of its capital expenditure program for years 2015 to 2017, with motion for provisional authority.

In the said *Application*, ISELCO I alleged the following, among others:

1. ISELCO I is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Victoria, Alicia, Isabela;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the cities of Santiago and Cauayan and municipalities of Alicia, Angadanan, Cabatuan, Cordon, Echague, Jones, Luna, Ramon, Reina Mercedes, San Agustin, San Guillermo, San Isidro and San Mateo, all in the province of Isabela;

LEGAL BASIS FOR THE APPLICATION

3. Pursuant to Republic Act No. 9136, ERC Resolution 26, Series of 2009 and other laws and rules, and in line with its mandate to provide safe, quality, efficient and reliable electric service to its consumers, ISELCO I seeks approval, confirmation and

authority from this Honorable Commission to implement its Capital Expenditure (CAPEX) Program for Years 2015 to 2017;

THE PROPOSED PROJECTS

4. ISELCO I's proposed CAPEX Projects subject of the instant Application are summarized hereunder, as follows:

PROPOSED NETWORK PROJECTS		Project Cost			
No.	Project Title	2015	2016	2017	Total
1	Upgrading of over extended service drop wire into Primary and Secondary Lines	8,651,931.88	8,872,856.68	7,477,714.37	25,002,502.93
2	Replacement of rotten pole/cross-arm and poles insertion	7,323,559.60	9,245,324.00	9,200,627.10	25,769,510.70
3	Relocation of Line Affected by Road Widening Project of DPWH	409,512.99	4,283,454.40	1,198,029.77	5,890,997.16
4	Relocation of 1.0 Km Three Phase Line at Dalibubun, Jones	-	384,016.83	-	384,016.83
5	Replacement of defective substation equipment protection				
	1. Replacement of 3 units Defective Current Transformer	960,000.00	-	-	960,000.00
	2. Replacement of 4-Units defective and 4 units dilapidated Circuit Recloser	1,951,073.00	1,327,382.00	2,051,073.00	5,329,528.00
	3. Replacement of 3 units Defective Protection Relay	360,000.00	-	-	360,000.00
	4. Replacement of 1 unit Defective 69 KV Breaker of Cauayan Substation	3,800,000.00	-	-	3,800,000.00
6	Installation of New 20 MVA San Fermin Cauayan Substation	-	56,995,960.00	-	56,995,960.00
7	Uprating of 10 MVA Cordon Substation into 20MVA	-	-	29,083,500.00	29,083,500.00
8	Installation of 10 MVA Garit Substation,	-	-	50,759,300.00	50,759,300.00
9	Construction 1.52kms 3 Phase line using 336 ACSR conductor from Pequeno to Tagaran	1,326,765.99	-	-	1,326,765.99
10	Construction of 5.8 kms three phase line at Minante, Cauayan City, Installation of Electronics Circuit Recloser a	5,779,395.75	-	-	5,779,395.75
11	Reconductoring of 3-Phase Line fromt Research to Nagrumbuan	1,419,396.75			1,419,396.75
12	Reconductoring of Feeder 2 Cordon	3,015,631.11	-	-	3,015,631.11
13	Conversion of line at Kaquilangan Cordon	1,016,422.79	-	-	1,016,422.79
14	Conversion of line at La Salette	-	97,748.82	-	97,748.82

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15	Conversion of line at Patul	-	-	607,773.48	607,773.48
16	Conversion of line from Vee-phase to three phase and installation of capacitor at San Isidro	1,219,890.02	-	-	1,219,890.02
17	Conversion of line from Silawan to Anafunan and installation of capacitor	854,216.06	-	-	854,216.06
18	Conversion of line from Malini to Nabuan	445,500.46	-	-	445,500.46
19	Conversion of line from Vee phase to three phase at Buenavista, Santiago City	433,112.63	-	-	433,112.63
20	Conversion of line from single phase to three phase at Burgos	726,151.48	-	-	726,151.48
21	Conversion of line from single phase to three phase and installation of capacitor at San Pablo	-	1,690,327.94	-	1,690,327.94
22	Conversion of line from single phase to three phase at Centro, Cabatuan	-	-	137,239.67	137,239.67
23	Installation of capacitor	-	-	356,139.96	356,139.96
24	Expansion of Distribution Line at Far Flung areas	22,545,434.52	-	34,866,460.91	57,411,895.43
25	New Member Consumer's Kwhr Meters and Connection Accessories	1,760,214.72	2,895,606.00	3,336,360.48	7,992,181.20
26	Distribution Transformer Requirements	20,664,313.06	13,857,547.44	12,955,583.74	47,477,444.23
27	Expansion of Primary Distribution Lines	945,724.21	11,461,515.67	7,030,588.69	19,437,828.57
28	Expansion of Secondary Distribution Lines	597,617.53	175,911.03	-	773,528.55
29	Replacement of Old and Defective Kilowatt-hour Meters	8,633,139.80	7,435,333.68	9,692,548.60	25,761,022.08
Total Network Project		94,839,004.35	118,722,984.47	168,752,939.76	382,314,928.58

CAPEX EXPENDITURE PLAN

5. The proposed projects together with justifications are discussed in detail in ISELCO I's CAPEX Plan for Years 2015 to 2017, with technical and financial analysis and supporting data presented in ERC-specified templates;

FINANCIAL AND ECONOMIC EVALUATION

[5.] **Financing Plan.** The proposed projects will be financed partly with funds to be acquired through loans from the National Electrification Administration (NEA), Rural Electrification Financing Corporation (REFC) and banks, and partly with its

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Reinvestment Fund for Sustainable Capital Expenditure (RFSC). Presented in the Table below are the CAPEX plan financiers to be pursued, to wit:

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED	2015	2016	2017
RFSC	169,327,728.65	47,172,205.31	53,944,094.49	68,211,428.85
Bank Loans	92,326,645.83	29,250,629.79	22,242,933.04	40,833,083.00
REFC	105,661,827.94	6,113,000.00	27,979,527.94	71,569,300.00
NEA	124,660,534.56	32,798,113.65	56,995,960.00	34,866,460.91
	491,976,736.98	115,333,948.75	161,162,515.47	215,480,272.76

[6.] **Cash Flow and Rate Impact.** As shown in the following table, ISELCO I's cash flow shows that it is able to pursue and implement the 3-year CAPEX Plan without causing a significant increase in its electricity rates. For years 2015, 2016 and 2017, there is a minimal indicative additional rate requirement to cover the cost of the projects, new loan amortizations and permit fee, as follows, to wit:

Indicative Rate Impact of the Project				
	2015	2016	2017	Total
Forecasted energy sales, kWh	321,424,479	340,119,224	376,368,193	1,037,911,896
Cash balance beginning, PhP, excess/(shortfall)		(19,200,037.61)	(105,121,830.32)	(124,321,868)
CASH INFLOWS				
current year collection @PhPo.2178/kWh	70,006,251.61	74,077,966.89	81,972,992.44	226,057,211
annual income on leased properties	1,730,237.82			1,730,238
loan proceeds from financial institutions (SEP), PhP	23,000,000.00	-	34,000,000.00	57,000,000
loan proceeds from financial institutions REFC, PhP	25,000,000.00	2,601,080.00	8,551,781.00	36,152,861
loan proceeds from financial institutions (hilux), PhP	1,938,000.00			1,938,000
loan proceeds from financial institutions (Fleet), PhP		27,319,200.00		27,319,200
loan proceeds from financial institutions (SS), PhP			67,387,781.00	67,387,781
Total Cash Inflows, PhP	121,674,489.43	103,998,246.89	191,912,554.44	417,585,291
Available cash for disbursement	121,674,489.43	84,798,209.29	86,790,724.11	293,263,423
CASH OUTFLOWS				
CAPEX requirement	115,333,948.75	161,162,515.47	215,042,147.67	491,538,612
CAPEX debt service (old amortization)	19,608,656.72	17,863,880.72	13,604,836.72	51,077,374
CAPEX debt service (new amortization)	4,919,852.03	9,550,945.45	20,825,943.38	35,296,741
ERC Permit Fee, PhP	1,012,069.54	1,342,697.97	1,714,852.38	4,069,620
Total Cash Outflows, PhP	140,874,527.03	189,920,039.61	251,187,780.14	581,982,346.8
Cash balance ending, PhP, excess/(shortfall)	(19,200,037.61)	(105,121,830.32)	(164,397,056.03)	(288,718,924)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0597)	(0.3091)	(0.4368)	(0.1584)

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR
PROVISIONAL AUTHORITY**

- [7.] Applicant pleads the foregoing allegations as may be material herein;
- [8.] Due to unforeseen situations or occurrences coupled with delays attributable to the filing of CAPEX applications, the cooperative has been constrained to implement the foregoing projects pending the filing of the instant application;
- [9.] In view thereof, Applicant respectfully moves of the Honorable Commission to permit the implementation of those projects pending approval of the instant application, said implementation having enabled the cooperative to deliver a safe, efficient and more reliable electric service to its consumers;

**SUBMISSION OF DOCUMENTARY AND
PRE-FILING REQUIREMENTS**

- [10.] Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 and pre-filing requirements under the ERC Rules of Practice and Procedure, ISELCO I is submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Capital Expenditure Plan for Years 2015 to 2017 with supporting data in ERC-specified templates
B B-1	Affidavit of Posting Notice on the Proposed Projects
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Judicial Affidavit in Support of the Motion for Provisional Authority
E and series	Proof of furnishing copies of the application to the Sangguniang Bayan of Alicia and Sangguniang Panlalawigan of Isabela
F and series	Publication of the Application in a newspaper of general circulation in ISELCO I's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, ISELCO I respectfully prays of this Honorable Commission that the cooperative's implementation of the proposed projects pending evaluation thereof be permitted and after due notice and hearing, the proposed projects be approved accordingly.

Other relief, just and equitable in the premises, are likewise prayed for.

Finding the said *Application* to be sufficient in form and 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 **9 May 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at ISELCO I's Principal Office, Brgy. Victoria, Alicia, Isabela.**

Accordingly, ISELCO I 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 its 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 with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and

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

On the date of the initial hearing, ISELCO I 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 other means employed by ISELCO I to inform the consumers affected 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 OSG, 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 proofs of compliance with the requirements of the Commission.

ISELCO I and all interested parties are also required to submit, at least five (5) days before the date of the 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 therefore; 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 ISELCO I to comply with the above requirements 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.

ISELCO I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it 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, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 18 February 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

Copy Furnished:

1. DECHAVEZ LERIOS-AMBOY AND EVANGELISTA LAW OFFICES
Counsel for Applicant ISELCO I
Unit 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. Isabela I Electric Cooperative, Inc. (ISELCO I)
Brgy. Victoria, Alicia, Isabela
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS bldg., Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. 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
8. Office of the Municipal Mayor
Alicia, Isabela
9. Office of the Local Government Unit (LGU) legislative body
Alicia, Isabela
10. Office of the Municipal Mayor
Angadanan, Isabela
11. Office of the Local Government Unit (LGU) legislative body
Angadanan, Isabela
12. Office of the Municipal Mayor
San Guillermo, Isabela
13. Office of the Local Government Unit (LGU) legislative body
San Guillermo, Isabela
14. Office of the Municipal Mayor
Reina Mercedes, Isabela
15. Office of the Local Government Unit (LGU) legislative body
Reina Mercedes, Isabela
16. Office of the Municipal Mayor
Cabatuan, Isabela

17. Office of the Local Government Unit (LGU) legislative body
Cabatuan, Isabela
18. Office of the Municipal Mayor
Luna, Isabela
19. Office of the Local Government Unit (LGU) legislative body
Luna, Isabela
20. Office of the Municipal Mayor
San Mateo, Isabela
21. Office of the Local Government Unit (LGU) legislative body
San Mateo, Isabela
22. Office of the Municipal Mayor
Ramon, Isabela
23. Office of the Local Government Unit (LGU) legislative body
Ramon, Isabela
24. Office of the Municipal Mayor
Cordon, Isabela
25. Office of the Local Government Unit (LGU) legislative body
Cordon, Isabela
26. Office of the Municipal Mayor
San Isidro, Isabela
27. Office of the Local Government Unit (LGU) legislative body
San Isidro, Isabela
28. Office of the Municipal Mayor
Echague, Isabela
29. Office of the Local Government Unit (LGU) legislative body
Echague, Isabela
30. Office of the Municipal Mayor
Jones, Isabela
31. Office of the Local Government Unit (LGU) legislative body
Jones, Isabela
32. Office of the Municipal Mayor
San Agustin, Isabela
33. Office of the Local Government Unit (LGU) legislative body
San Agustin, Isabela
34. Office of the City Mayor
Cauayan City, Isabela
35. Office of the Local Government Unit (LGU) legislative body
Cauayan City, Isabela
36. Office of the City Mayor
Santiago City, Isabela

37. Office of the Local Government Unit (LGU) legislative body
Santiago City, Isabela
38. Office of the Provincial Governor
Province of Isabela
39. Office of the Local Government Unit (LGU) legislative body
Province of Isabela
40. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City