

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF REGULATED
ENTITIES' EMERGENCY
CAPITAL EXPENDITURE
PROJECTS, WITH
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION**

ERC CASE NO. 2019-009 RC

**ZAMBALES I ELECTRIC
COOPERATIVE, INC.
(ZAMECO I),**

Applicant.

Promulgated:
MAR 26 2019

X -----X

ORDER

On 7 February 2019, Zambales I Electric Cooperative, Inc. (ZAMECO I) filed an *Application* dated 22 January 2019 seeking the Commission's approval of its emergency capital expenditure projects, with authority to secure loan from the National Electrification Administration (NEA).

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with main office at San Vicente, Palauig, Zambales, where it may be served with summons and other legal processes, represented in this instance by its General Manager, ENGR. RENE A. DIVINO, of legal age, Filipino, and with office address also at ZAMECO I main office, duly authorized by the Board of Directors as evidence by the Secretary's Certificate, hereto attached as **Annex "A"**;
2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the municipalities of the province of Zambales, namely: Botolan, Candelaria, Iba, Masinloc, Palauig, and Sta. Cruz;

3. The Iba Substation has capacity problem. Shown in the table below is the actual and forecasted demand and loading of Iba Substation. Based from the table, the Technical Working Group of ZAMECO I was able to identify that Iba Substation already has a critical loading due to the extensive load growth in the area. According to the Electric Cooperative Distribution Planning Manual (ECDUPM), consider planning for augmentation of substation capacity if it will be 70% loaded. The Iba Substation is under critical loading, therefore there is a need to file for augmentation project to meet the present and future load requirement of the area and to have an accessible capacity that can accommodate emergency load transfers from other substations or feeders.

DEMAND AND PERCENT LOADING OF IBA SUBSTATION			
SUBSTATION	YEAR	ACTUAL AND FORECASTED DEMAND (MVA)	PERCENT LOADING (%)
IBA 10/12.5 MVA	2018	10.63	85.05%
	2019	11.34	90.70%
	2020	12.03	96.27%
	2021	12.73	101.84%
	2022	13.41	107.32%
	2023	14.09	112.72%
	2024	14.75	118.03%
	2025	15.42	123.35%
	2026	16.06	128.50%
	2027	16.71	133.64%

4. On July 17, 2018, severe damage was sustained by the two (2) units of 13.2kV MVSG Vacuum Circuit Breaker of Candelaria Substation caused by water intrusion due to excessive rain brought by the Habagat. This created instant short-circuit and insulation breakdown that caused flashover and burning of the switchgear. This incident left the 22,916 consumers of affected parts of Masinloc, Candelaria and Sta. Cruz with no electricity. In order to resume the power supply in the affected areas, ZAMECO I had to replace the burned equipment immediately;
5. Since it was identified that there is a capacity problem at Iba District, an installation of a New 20-MVA Power Transformer at Iba Substation is necessary to meet the present and future load requirement in the area;
6. Considering that there is pressing need to address the 22,916 consumers of affected parts of Masinloc, Candelaria and Sta. Cruz with no electricity, ZAMECO I immediately purchased two (2) units of 15 kV Vacuum Circuit Recloser through Negotiated Procurement Process. The equipment purchased was

immediately installed and energized due to urgency and the extent of the affected areas;

7. The proposed projects are generated to address the identified problems as shown above. The table below shows the summary of project for each problem that was identified:

PROPOSED EMERGENCY PROJECTS			PROJECT COST (PHP)
NO.	TITLE	TYPE	2018
1	Installation of a New 20-MVA Power Transformer at Iba Substation	Capacity	46,101,000.00
2	Replacement of medium voltage switchgear with 2 units 15 kV Vacuum Circuit Recloser at Candelaria Substation	Safety	2,221,507.20
Grand Total			48,322,507.20

8. The estimated cost of installation of a New 20-MVA Power Transformer is **Forty Six Million One Hundred One Thousand (P46,101,000.00) Pesos**, which will be funded by a loan from the National Electrification Administration (NEA) with a fixed interest rate of six (6%) percent per annum and to be paid within ten (10) years or on or before the expiration of its franchise on November 27, 2028. On the other hand, the actual project cost incurred for the replacement of medium voltage switchgear with 2 units 15 kV Vacuum Circuit Recloser was **Two Million Two Hundred Twenty One Thousand Five Hundred Seven and 20/100 (P2,221,507.20) Pesos** was funded by the existing Reinvestment Fund for Sustainable Capital Expenditures (RFSC). The aggregate cost of the two (2) capital expenditure projects is **Forty Eight Million Three Hundred Twenty Two Thousand Five Hundred Seven and 20/100 (P48,322,507.20) Pesos**;
9. For purposes of and in connection with this application, ZAMECO I hereby attached hereto the following documents, duly marked collectively as **Annex "B"**, in compliance with the requirements pertinent thereto, to wit:
- a. Project Description;
 - b. Justifications or Benefits to be delivered;
 - c. Estimated Project Costs;
 - d. Project Financing Plan; and

- e. Project Schedule;
10. That the above project is consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippine Distribution Code (DDP), and other relevant government issuances; and in accordance with ERC Resolution No. 26, Series of 2009, "Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects";
 11. That in compliance with the pre-filing requirements, ZAMECO I is submitting the following:
 - a. Certification from the Sangguniang Bayan of Palauig, Zambales, that a copy of the application, with all its annexes and accompanying documents, attesting to the fact that applicant has furnished the said legislative body of the aforesaid application;
 - b. Certification from the Sangguniang Panlalawigan of Zambales that it likewise has furnished the said pertinent documents; and
 - c. Affidavit of Publication and Newspaper issue containing the published Application in its entirety in a newspaper of general circulation in the Province of Zambales; and
 12. That the approval of these Emergency Capital Expenditure Projects are needed to maintain efficient, reliable, and safety delivery of power to ZAMECO I's existing and future consumers, and will redound to the benefits of the consuming public within its franchise area.

PRAYER

WHEREFORE, premises considered, applicant Zambales I Electric Cooperative, Inc. (ZAMECO I) respectfully prays of this Honorable Commission that, after due notice and hearing and consideration, this application be approved.

Other relief, just or equitable, is likewise prayed for.

Finding the instant *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 **2 May 2019 (Thursday), at ten o'clock in the morning (10:00 A.M.), at ZAMECO I's Principal Office located at San Vicente, Palauig, Zambales.**

Accordingly, ZAMECO I is hereby directed to:

- 1) Cause the publication of the attached *Notice of Public Hearing* twice (2x) in two (2) newspapers of nationwide circulation in the Philippines at its own expense, 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 Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within ZAMECO I's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within ZAMECO I's 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 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, ZAMECO 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* was 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 Provincial 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 ZAMECO I to inform the consumers 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, the 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.

ZAMECO 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 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 ZAMECO 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.

ZAMECO 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, 12 March 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: LED/MCC/BSA/GLO

Copy Furnished:

1. Atty. Arnido O. Inumberable
Counsel for Petitioner ZAMECO I
405 Elisa Street, U.E. Village, Cainta, Rizal
2. *Zambales I Electric Cooperative, Inc. (ZAMECO I)*
Petitioner
San Vicente, Palauig, Zambales
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit (COA)
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. Regulatory Operations Service (ROS)
17th Floor, Energy Regulatory Commission, Pacific Center Bldg.,
San Miguel Ave., Ortigas Center, Pasig City
8. Office of the Governor
Province of Zambales
9. Office of the Local Government (LGU) legislative body
Province of Zambales

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10. Office of the Municipal Mayor
Municipality of Botolan, Zambales
11. Office of the Local Government (LGU) legislative body
Municipality of Botolan, Zambales
12. Office of the Municipal Mayor
Municipality of Candelaria, Zambales
13. Office of the Local Government (LGU) legislative body
Municipality of Candelaria, Zambales
14. Office of the Municipal Mayor
Municipality of Iba, Zambales
15. Office of the Local Government (LGU) legislative body
Municipality of Iba, Zambales
16. Office of the Municipal Mayor
Municipality of Masinloc, Zambales
17. Office of the Local Government (LGU) legislative body
Municipality of Masinloc, Zambales
18. Office of the Municipal Mayor
Municipality of Palauig, Zambales
19. Office of the Local Government (LGU) legislative body
Municipality of Palauig, Zambales
20. Office of the Municipal Mayor
Municipality of Sta. Cruz, Zambales
21. Office of the Local Government (LGU) legislative body
Municipality of Sta. Cruz, Zambales