

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



**IN THE MATTER OF THE  
APPLICATION FOR  
CONFIRMATION AND  
APPROVAL OF  
EMERGENCY CAPITAL  
EXPENDITURE PROJECT  
RE: INSTALLATION OF  
ADDITIONAL 20/25 MVA  
SUBSTATION AT REINA  
MERCEDES**

**ERC CASE NO. 2019-035 RC**

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

Promulgated:

MAY 31 2019

X-----X

**ORDER**

On 03 May 2019, the Isabela I Electric Cooperative, Inc. (ISELCO I) filed an *Application* dated 11 March 2019, seeking the Commission's confirmation and approval of Emergency Capital Expenditure Project regarding the installation of additional 20/25 MVA Substation at Reina Mercedes.

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

**THE APPLICANT**

1. ISELCO-1 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 issued by the National Electrification Commission to operate an electric light and power distribution service in the cities of Santiago and Cauayan and the 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 BASES 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 1 submits for the Honorable Commission's confirmation and approval its Emergency Capital Expenditure (CAPEX) Project: Installation of Additional 20/25 MVA Substation at Reina Mercedes, which is the subject of the instant Application.

THE ANTECEDENT FACTS

4. From years 2011 to 2017, the operations of ISELCO - 1 had tremendous change, the kWh purchased and sales have significantly increased. The change could be attributed to the entry of SM Supermarket and Robinsons Place in 2012 and 2013, rice mills in 2015 and mining industry and hotels in 2017;

5. ISELCO-1 is being catered by nine (9) substations with a combined capacity of 135 MVA. Eight of the substations are owned and operated by the cooperative;

6. Presently, the 5 MVA power transformer of ISELCO-1's Reina Mercedes Substation registered the highest demand of 5,412 KW or equivalent to 96.22% load which is above the ideal 70% load from the Electric Cooperative Distribution Utility Planning Manual (ECDUPM). Consequently, the expected three-phased large load that is bound to connect to the distribution system will not be accommodated;

7. In order to address the problem, it is necessary to install an additional 20/25 MVA rated 67/13.2 KV with On-Load Tap Charger at Reina Mercedes Substation. Continuous overloading of the existing facilities may result to possible breakdown of the transformer that will create inconvenience to the cooperative's consumers and loss of revenue.

PROJECT DESCRIPTION

8. The project is intended to address the capacity problem of the Reina Mercedes Substation. The existing 5 MVA substation registered the highest load demand of 5,412KW based in the National Grid Corporation of the Philippines (NGCP) billing for the month of August 2017 with a percent loading of 96.22% which is at the critical condition. The project will involve the installation of additional 20/25 MVA rated 67/13.2 KV with (OLTC) On-Load Tap Changer at Reina Mercedes Substation (beside the existing 5 MVA power transformer), procurement of steel structure for 69KV metering instrument facilities and procurement of associated equipment such as 13.2 KV indoor Medium Voltage Switchgear with incomer and air break switch for the connection of the sub-station.

PROJECT SCHEDULE

9. The construction of additional 20/25 MVA substation including the procurement and installation of appurtenant equipment such as the medium voltage switchgear and air break switch for the connection of the substation to the existing 69kv line was commenced on February 28, 2019, and will be completed by June 27, 2019:

PROJECT COST

10. The estimated cost of the project is at Sixty-Six Million Six Hundred Twenty-Six Thousand Thirty-Six Pesos and 07/100 (PhP66,626,036.85) to cover all related expenses for the installation of the additional 20 MVA substation.

PROJECT FINANCING

11. The total cost of the project in the amount of PhP66,626,036.85 is being sourced through the cooperative's Reinvestment Fund for Sustainable Capex (RFSC) and availment of a loan from National Electrification Administration (NEA) at 6.8% rate per annum for a period of five (5) Years.

RATE IMPACT

12. The possible effects on the existing RFSC rate (PhP 0.2178/kWh) of ISELCO-1 upon completion of the project with the consideration of the loan availment and the proposed financing plan is shown in the table below, as follows:

Particulars	2018	2019	2020	TOTAL
Forecasted energy sales, kWh	406,589,419.00	430,079,114.00	457,164,908.00	1,293,833,441.00
Cash balance beginning, PhP, excess/(shortfall)	15,082,990.60	(37,276,979.71)	(168,167,693.23)	(190,361,682.34)
<b>CASH INFLOWS</b>				
Current year collection @PhPo.2178/kWh	88,555,175.46	93,671,231.03	99,570,516.96	281,796,923.45
50% of income on leased properties	2,100,000.00	2,100,000.00	2,100,000.00	6,300,000.00
Loan proceeds from financial institutions(Emergency), PhP	66,626,036.82	-	-	66,626,036.82
Government subsidy (if any), PhP	-	-	-	-
New Loans for Regular Capex (2018-2020)	116,684,876.99	129,883,697.66	149,865,999.02	396,434,573.67
Total Cash Inflows, PhP	273,966,089.27	225,654,928.69	251,536,515.98	751,157,533.94
Available cash for disbursement	289,049,079.87	188,377,948.98	83,368,822.75	560,795,851.60
<b>CASH OUTFLOWS</b>				
CAPEX requirement (emergency )	66,626,036.82			66,626,036.82

New CAPEX Rquirements(Regular Capex)	202,223,624.59	288,928,572.22	249,227,058.24	740,379,255.05
Old Debt (previous CAPEX), PhP	42,475,477.41	35,302,525.63	34,444,285.85	112,222,288.89
New amortization (Regular CAPEX 2018-2020), PhP	14,976,448.14	26,969,154.55	49,353,856.12	91,299,458.82
New amortization (Emergency CAPEX), PhP	-	5,318,650.89	8,596,291.56	13,914,942.45
ERC Permit Fee, PhP	24,472.62	26,738.92	25,621.61	76,833.15
Total Cash Outflows, PhP	326,326,059.58	356,545,642.21	341,647,113.38	1,024,518,815.17
Cash balance ending, PhP, excess/(shortfall)	(37,276,979.71)	(168,167,693.23)	(258,278,290.63)	(463,722,963.57)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0917)	(0.3910)	(0.5650)	(0.1996)

**JUSTIFICATIONS AND BENEFITS**  
**TO BE DELIVERED BY THE PROJECT**

13. The installation of additional 20/25 MVA substation at Reina Mercedes will eliminate the possibility of continuous overloading of the existing facilities that may result to possible breakdown of the transformer which will create inconvenience to affected consumers and loss of revenue;

14. The immediate implementation of the project will likewise provide a safe, adequate, reliable, and efficient electric service to the consumers being served by the substation.

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

15. Finally, in compliance with the documentary as well as pre-filing requirements under ERC Resolution 26, Series of 2009 and the ERC Rules of Practice and Procedure, respectively, ISELCO-1 is submitting herewith the following documents to form integral parts of this Application as follows, to wit:

Annex Markings	Nature of Document
"A"	Executive Summary of the Project
"B" and series	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Alicia and Sangguniang Panlalawigan of Isabela
"C" and series	Proof of 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 -1 respectfully prays of this Honorable Commission that after due notice and hearing, the installation of additional 20/25 MVA Substation at Reina Mercedes, be confirmed and approved accordingly.

Other equitable reliefs 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 **01 August 2019 (Thursday) at nine o'clock in the morning (9:00 A.M.) at ISELCO I's Principal Office at 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 ISELCO I's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within ISELCO I's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearings 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 hearings; 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 hearings 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 hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

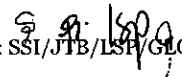
ISELCO I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 28 May 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner

  
LS: SSI/JTB/LSH/GLO

**ERC CASE NO. 2019-035 RC**  
**ORDER/28 May 2019**  
**PAGE 8 OF 9**

---

**Copy Furnished:**

1. Dechavez Lerios-Amboy and Evangelista Law Offices  
Atty. Ronald Ryan A. Sandigan  
*Counsel for ISELCO I*  
Unit 2008, 20<sup>th</sup> Floor, Tycoon Center Pearl Drive, Ortigas Center, Pasig City
2. Isabel I Electric Cooperative, Inc. (ISELCO I)  
*Applicant*  
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)  
3<sup>rd</sup> floor, Chamber and Industry Plaza (CIP)  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the City Mayor  
Santiago, Isabela
9. Office of the Local Government Unit (LGU) legislative body  
Santiago, Isabela
10. Office of the City Mayor  
Cauayan, Isabela
11. Office of the Local Government Unit (LGU) legislative body  
Cauayan, Isabela
12. Office of the Municipal Mayor  
Alicia, Isabela
13. Office of the Local Government Unit (LGU) legislative body  
Alicia, Isabela
14. Office of the Municipal Mayor  
Angadanan, Isabela
15. Office of the Local Government Unit (LGU) legislative body  
Angadanan, 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  
Cordon, Isabela
19. Office of the Local Government Unit (LGU) legislative body  
Cordon, Isabela



**ERC CASE NO. 2019-035 RC**  
**ORDER/28 May 2019**  
**PAGE 9 OF 9**

---

20. Office of the Municipal Mayor  
Echague, Isabela
21. Office of the Local Government Unit (LGU) legislative body  
Echague, Isabela
22. Office of the Municipal Mayor  
Jones, Isabela
23. Office of the Local Government Unit (LGU) legislative body  
Jones, Isabela
24. Office of the Municipal Mayor  
Luna, Isabela
25. Office of the Local Government Unit (LGU) legislative body  
Luna, Isabela
26. Office of the Municipal Mayor  
Ramon, Isabela
27. Office of the Local Government Unit (LGU) legislative body  
Ramon, Isabela
28. Office of the Municipal Mayor  
Reina Mercedes, Isabela
29. Office of the Local Government Unit (LGU) legislative body  
Reina Mercedes, Isabela
30. Office of the Municipal Mayor  
San Agustin, Isabela
31. Office of the Local Government Unit (LGU) legislative body  
San Agustin, Isabela
32. Office of the Municipal Mayor  
San Guillermo, Isabela
33. Office of the Local Government Unit (LGU) legislative body  
San Guillermo, Isabela
34. Office of the Municipal Mayor  
San Isidro, Isabela
35. Office of the Local Government Unit (LGU) legislative body  
San Isidro, Isabela
36. Office of the Municipal Mayor  
San Mateo, Isabela
37. Office of the Local Government Unit (LGU) legislative body  
San Mateo, 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)  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Ave., Pasig City