

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 THE YEAR
2010 to 2013 WITH PRAYERS FOR
PROVISIONAL AUTHORITY AND
AUTHORITY TO SECURE LOAN

ERC CASE NO. 2010-118RC

NUEVA ECIJA I ELECTRIC COOPERATIVE,
INC., (NEECO I)

Applicant.

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APPLICATION
(With Prayer for Provisional Authority)

Applicant, NUEVA ECIJA I ELECTRIC COOPERATIVE, INC., (NEECO I for brevity), through the undersigned counsel, and to this Honorable Commission, respectfully states that:

1. Applicant is an electric cooperative duly organized and existing under and by virtue of Presidential Decree No. 29 (PD 269) and other laws of the Republic of the Philippines, with principal office at Barangay Malapit, San Isidro, Nueva Ecija represented herein by its General Manager, Engr. Bonifacio A. Patiag as per MSEC Resolution 07-01, s. of 2010 hereto attached as **Annex "I"**;

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Commission (NEA), to operate electric light and power services in the towns/city of the Province of Nueva Ecija namely: City of Gapan, San Isidro, Cabiao, Jaen and San Antonio;

3. NEECO I 's proposed capital expenditure projects for 2010 to 2013, are summarized and enumerated below;

Table 1. Summary CAPEX Projects 2010 - 2013

NO.	PROJECT DESCRIPTION	PROJECT COST
1	Construction of 1-20MVA substation at Bayanihan, Gapan City to serve Gapan, Baluarte and Walter Mart Feeders	36,147,636
2	Relocation of 1-10 MVA and 1-5 MVA Power Transformer to Sapang, Jaen and Construction of 5 Km. 69 KV Lines.	43,971,437
3	Relocation of 1-10MVA Power Transformer to San Roque, San Isidro and Construction of 5 Km. 69 KV Lines.	50,828,104
4	Expansion of lines in ten (10) Sitios	5,232,060
5	Rehabilitation of dilapidated Primary and Secondary Lines	17,478,600
6	Pole Clustering of Kwhms.	87,870,983
7	Replacement of Old and Stop KWH meters	37,345,168
8	Replacement of overloaded distribution transformers	35,295,356
9	Replacement of broken insulator, rotten poles and defective fuse cut-outs	34,822,006
10	Procurement of Transco 69-kV Lines	22,016,324
11	Add-ons	19,529,981
12	Logistic Support	21,739,681
	TOTAL	412,277,336

4. Table 2 shows the present set up of NEECO I's substation which has four (4) power transformers all located in Malapit, San Isidro, Nueva. Ecija serving four (4) Municipalities and one (1) City which are connected via the 69-KV subtransmission lines.

Table 2. Substation Loadings

SUBSTATION	POWER TRANSFORMER	FEEDER	CAPACITY	LOADING	
				MVA	PERCENT
MALAPIT S/S	5MVA Takaoka	Gapan Coop	5	4.23	86%
	5MVA New Korea	Baluarte	5	2.76	56%
	10MVA Westinghouse	CA /SI	10	6.11	62%
	10MVA New Korea	SA / JA	10	8.85	89%
		Waltermart			
	Malapit				
TOTAL			30	21.95	74%

5. Table 3 & Figure 1 and Table 4 & Figure 2 show the NEECO I's historical peak demand and energy sales per feeder;

Table 3. NEECO I's Historical Peak Demand

FEEDER	2003	2004	2005	2006	2007	2008	2009
F01-JA/SA	6,421	6,611	5,924	6,127	6,269	6,302	6,643
F02-Walter	-	-	1,364	1,411	1,444	1,451	1,530
F03-GA	3,846	3,959	3,548	3,670	3,755	3,774	3,979
F04-CA/SI	5,637	5,803	5,200	5,378	5,503	5,532	5,832
F05-BA	2,534	2,609	2,338	2,418	2,474	2,487	2,621
F06-Malapit	285	293	263	272	278	279	294

Figure 1. Historical KW Demand Per Feeder

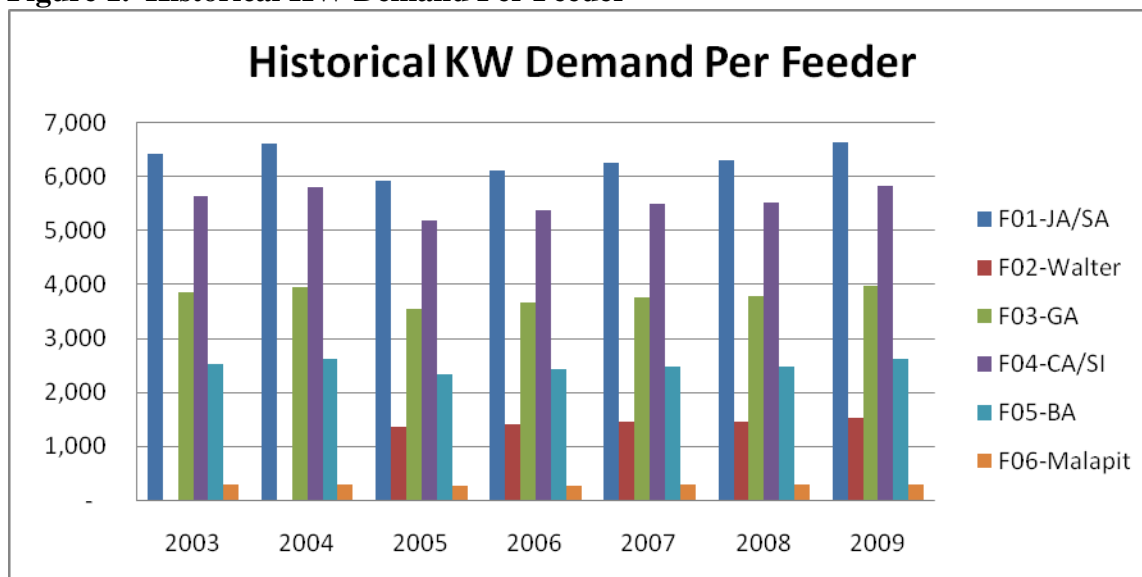
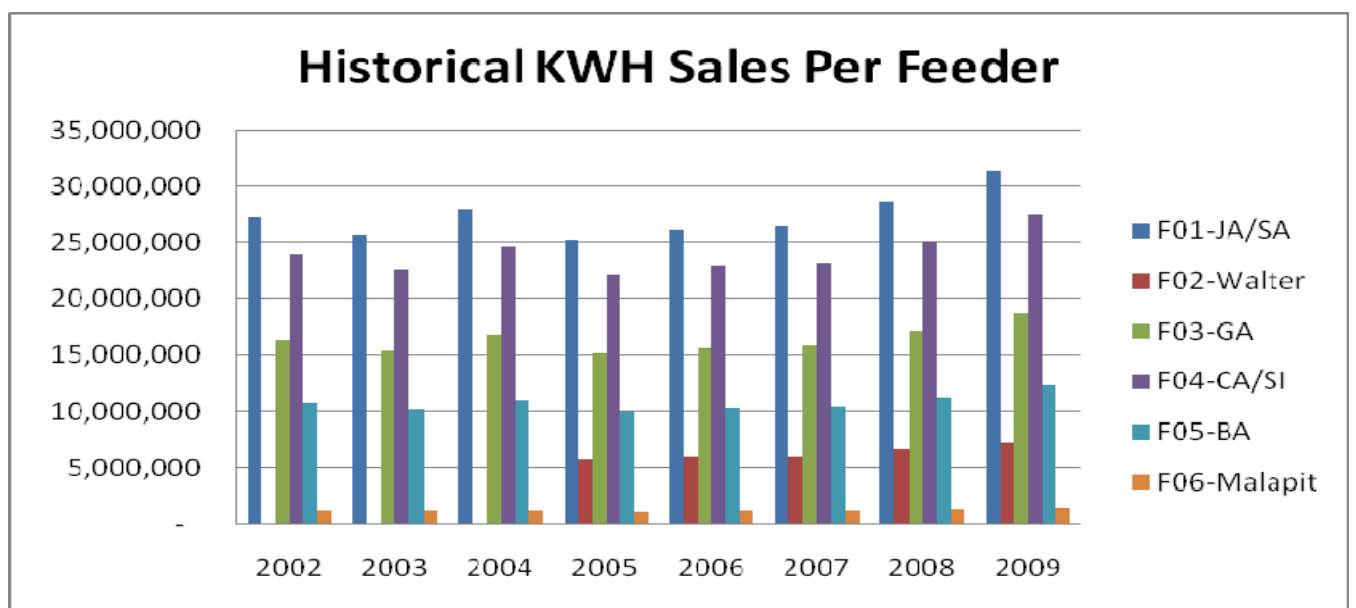


Table 4. Historical Sales per Feeder

FEEDER	2002	2003	2004	2005	2006	2007	2008	2009
F01-JA/SA	27,291,449	25,797,220	28,058,233	25,293,828	26,165,843	26,506,338	28,663,180	31,393,097
F02-Walter	-	-	-	5,824,417	6,025,216	6,103,622	6,600,278	7,228,897
F03-GA	16,345,365	15,450,443	16,804,607	15,148,952	15,671,218	15,875,147	17,166,921	18,801,919
F04-CA/SI	23,957,467	22,645,776	24,630,579	22,203,879	22,969,367	23,268,266	25,161,624	27,558,048
F05-BA	10,769,058	10,179,444	11,071,627	9,980,808	10,324,900	10,459,258	11,310,336	12,387,546
F06-Malapit	1,209,675	1,143,444	1,243,662	1,121,132	1,159,783	1,174,876	1,270,476	1,391,478

Figure 2. Historical Graph Sales per Feeder



6. Table 5 shows the total length of overhead distribution line per type of configuration for the entire distribution system.

Table 5. Total circuit kilometres of NEECO I (as of December 2009)

	TYPE	LENGTH (km)
PRIMARY	Three Phase	91.90
	Vee Phase	69.38
	Single Phase	195.47
SECONDARY	Under Built	208.02
	Open Secondary	328.98

7. This table shows NEECO I's present system power factor is 96% and the load factor is 62%.

Power Factor	96%
Load Factor	62%

NEECO I's CAPITAL EXPENDITURES' PLAN:

8. NEECO I's Capital Expenditures' (CAPEX) Plan for the year 2010 – 2013 is discussed in detail **Annex "II"** consisting of the following:

CAPEX Plan For the Year 2010-2013

Annex A Demand KW Historical and Forecast Planning Data (NEECO-1 Malapit S/S)

Annex B Energy Sales Historical and Forecast Planning Data (NEECO I Malapit S/S)

Annex C Monthly Historical Energy Sales and Forecast Planning Data per Feeder

Annex D Projected System Loss Upon Construction of New Substation

Annex E Malapit Substation Single line Diagram

Annex F Proposed Bayanihan, Gapan Substation

Annex G Proposed Sapang Substation

Annex H Proposed San Roque, San Isidro Substation

Annex I Project Information Summary

Annex J Project 1 Gantt Chart - Construction of 1-20MVA substation at Bayanihan, Gapan City to serve Gapan, Baluarte and Walter Mart Feeder

Annex K Project 2 Gantt Chart - Relocation of 1-10MVA and 1-5MVA Power Transformer to Sapang, Jaen and Construction of 5 kms 69 kV Line

Annex L Project 3 Gantt Chart - Relocation of 1-10MVA Power Transformer to San Roque, San Isidro and Construction of 5 kms 69 kV line

Annex M Project 4 Gantt Chart - Expansion of lines in ten (10) Sitios

Annex N Project 5 Gantt Chart - Rehabilitation of dilapidated Primary and Secondary Lines

Annex O Project 6 Gantt Chart - Pole Clustering of Kwhms

Annex P Project 7 Gantt Chart - Replacement of Old and Stop KWH meters

Annex Q Project 8 Gantt Chart - Replacement of overloaded distribution transformers

Annex R Project 9 Gantt Chart - Replacement of broken insulators, rotten poles and defective fuse cut-outs

Annex S Project 11 Gantt Chart - Add-ons

Annex T Distribution Development Plan

- Annex U** Total Project Cost
- Annex V** Projected Income Statement with Sensitivity Analysis
- Annex W** Future Worth Computation of Capital Expenditure Projects
- Annex X** Projected Financial Viability of Capital Expenditure Projects
- Annex Y** Summary of Analysis on Financial Viable Capital Expenditure Project
- Annex Z** Summary of Capex Project Cost
- Annex AA** Last Four(4) Years Utilization of Reinvestment Fund
- Annex AB** Summary of Fund Surveys for the Capex Projects
- Annex AC** MCC Projections 2010 -2013
- Annex AD** Rate Impact Computations with Sensitivity Analysis
- Annex AE** Cash Flows Analysis with Sensitivity Analysis
- Annex AF** Loan Amortization Schedules
- Annex AG** Summary of Capex Projects per Year
- Annex AH** Financial Statements with the Rate Increase
- Annex AI** Financial Statement without the effect of proposed rate increase
- Annex AJ** Synergee Simulation Base Model (2010 to 2013)
- Annex AK** Synergee Simulation Capex Projects (2010 to 2013)
- Annex AL** Synergee Result Simulation Fault Analysis

9. NEECO l's technical performance in terms of capacity, power quality, efficiency, reliability and safety was evaluated. Scientific forecasting of loads, customers and demand was conducted and different forecasting models were developed. The forecasting models were tested for accuracy and those that did not pass were rejected. Below is the summary of the Forecasting Models formulated and evaluated;

Table 6. Summary of the Forecasting Models formulated and evaluated

Model No.	Forecasting Model	Model Description	Accuracy Test	Remarks
Model 2.3	15 yrs. Peak Demand(kW)	Annual Peak Demand Forecast per Substation	MAPE = 3%	Passed
Model 2.4	Sales Forecast(kWH)	Projected Energy Sales per Substation	MAPE = 5%	Passed
Model 2.5	Demand (kW)	Projected Demand per Feeder	MAPE = 3%	Passed
Model 2.6	Sales (kWH)	Projected Energy Sales per Feeder	MAPE = 5%	Passed

10. Synergee version 3.8.3 was utilized for the determination of optimum expansion patterns and alternatives;

11. **Capacity.** The substation projected loads were evaluated applying the 5-year (2010-2014) forecast demand for every substation and was compared to each rated capacity. The findings and analysis are discussed in detailed in the Distribution Development Plan of NEECO I.

Table 7 shows the present loading of four (4) power transformers, losses and voltage

SUBSTATION	POWER TRANSFORMER	FEEDER	LOADING		LOSSES		VOLTAGE
			KW	PERCENT	KW	PERCENT	
MALAPIT S/S	5MVA Takaoka	Gapan	4,104	86%	414	10.1%	0.84
		Coop					0.98
	5MVA New Korea	Baluarte	2,681	56%	257	9.6%	0.89
	10MVA Westinghouse	CA /SI	5,925	62%	769	13.0%	0.79
	10MVA New Korea	SA / JA	8,581	89%	1,198	14.0%	0.70
		Waltermart					0.95
	Malapit					0.97	
TOTAL/AVE			21,291	74%	2,638	12.4%	

Table 8 shows the projected loading profile for the period 2010 – 2014. A substation is considered fully loaded if the loading of the transformers exceeds 70% of the maximum rated capacity.

Table 8. Percentage Loading

SUBSTATION	POWER TRANSFORMER	FEEDER	PERCENT LOADING				
			2010	2011	2012	2013	2014
MALAPIT S/S	5 MVA Takaoka	Gapan	91%	95%	100%	105%	110%
		Coop					
	5 MVA New Korea	Baluarte	59%	62%	65%	69%	72%
	10 MVA Westinghouse	CA /SI	65%	69%	72%	76%	79%
	10 MVA New Korea	SA / JA	95%	100%	104%	109%	114%
		Waltermart					
	Malapit						
TOTAL			78%	82%	86%	91%	95%

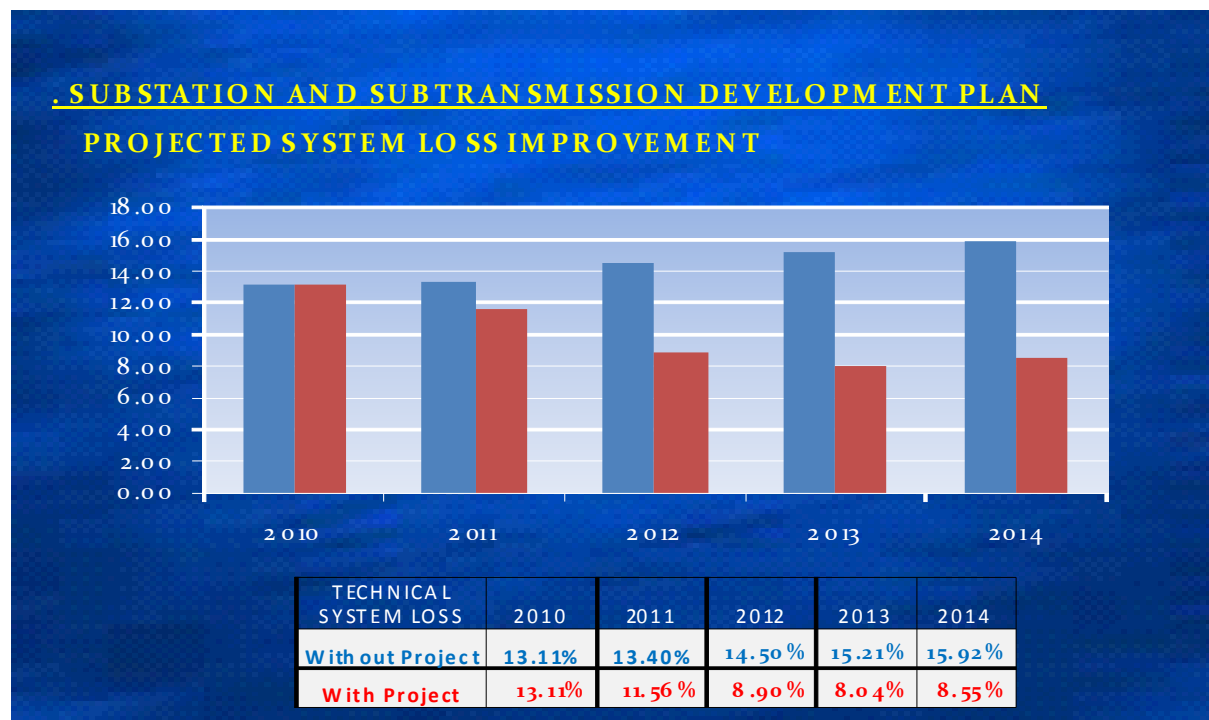
Table 9 shows the projected system loss improvement once the projects addressing capacity problems are implemented. Projected Technical loss, non technical loss and administrative loss were also presented.

Table 9. Total Projected System Loss

Y E A R	2010	2011	2112	2013	2014
A) Tech System Loss	13.11%	13.40%	14.50%	15.21%	15.92%
B) Contribution to System Loss Reduction					
1) <i>Bayanihan S/S</i>		1.95%	2.54%	2.49%	2.60%
2) <i>Sapang S/S</i>			3.06%	3.40%	3.58%
3) <i>San Roque S/S</i>				1.28%	1.20%
C) Total Reducton	0%	1.95%	5.60%	7.17%	7.37%
D) Projected Tech Loss	13.11%	11.56%	8.90%	8.04%	8.55%
Non Tech & Admin Loss	2.37%	2.37%	2.37%	2.37%	2.37%
E) Projected Total System Loss	15.48%	13.93%	11.27%	10.41%	10.92%

Figure 3 shows the bar graph representation of the projected technical system loss with and without the implementation of projects

Figure 3. Projected Technical Loss with or without the projects



12. Table 8 shows the projected substation loading improvement when projects addressing the capacity problem are implemented.

Table 10. Power Transformer Percentage Loading if projects are implemented.

SUBSTATION	POWER TRANSFORMER	FEEDER	PERCENT LOADING				
			2010	2011	2012	2013	2014
BAYANIHAN S/S	20MVA	Gapan Waltermart Baluarte	46%	48%	50%	53%	55%
SAN ROQUE, SI SS	10 MVA Westinghouse	Cabiao F1 Cabiao F2	49%	52%	54%	57%	59%
MALAPIT S/S	5 MVA Takaoka	San Isidro Coop Malapit	54%	54%	55%	55%	56%
SAPANG, JAEN S/S	10 MVA New Korea	San Antonio	37%	39%	41%	43%	45%
	5 MVA New Korea	Jaen	61%	64%	67%	70%	74%
TOTAL			38%	40%	42%	44%	45%

13. **System Improvement and Rural Electrification**—Priorities regarding improvements in service reliability, reduction of system loss and rural electrification were considered by the TWG. Shown in Table 11 and Table 12 are the total length of distribution of lines to be rehabilitated and expansion of lines in ten (10) sitios.

Table 11 shows the total length of distribution lines subject for rehabilitation.

YEAR	NUMBER OF CONSUMERS AFFECTED			LENGTH OF DISTRIBUTION LINES (KMS)			
	RES'L	COM'L	IND'L	2-Ph	1-Ph	OS	UB
2010	398	12	0	0.00	1.85	1.64	1.90
2011	260	14	0	0.00	0.81	1.40	0.81
2012	212	10	0	0.00	1.66	1.55	1.16
2013	335	0	0	7.20	1.52	0.95	8.72
2014	25	1	0	0.00	0.50	0.45	0.50
TOTAL	1,230	37	0	7.20	6.34	5.99	13.09

Table 12 shows the list of sitios subject for expansion of lines.

	SITIO	BARANGAY	MUNICIPALITY
1	Hererra St.	Malapit	San Isidro
2	Paraan St.	Malapit	San Isidro
3	Purok 1	Niyugan	Jaen
4	Purok 7	San Jose	Jaen
5	Pantoc	San Francisco	San Antonio
6	Sitio Pinaglabanan	Poblacion	San Antonio
7	Guapito St.	Sta Rita	Cabiao
8	Irrigation	Sta Rita	Cabiao
9	Villareal St.	Sto Cristo Norte	Gapan City
10	Purok 4	Bulak	Gapan City

14. **Safety.** The safety of the distribution system was evaluated in order to assess the equipment installed in the present distribution system against the short circuit current. Shown below in Figure 4, Table 13 and 14 are the detailed Summary Safety Assessment:

Figure 4

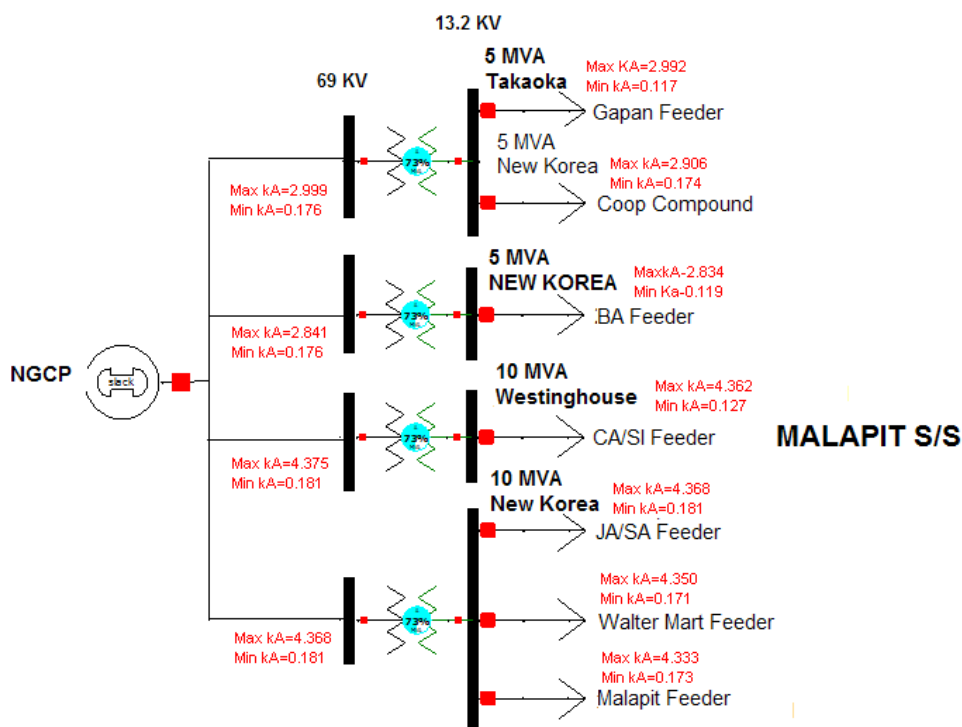


Table 13. Fault Analysis 69 KV Side

Feeder	Max (kA) LG	Min (kA) LG	Feeder Current	Remarks
10 MVA Westinghouse	4.375	0.181	0.125	Safe
10 MVA New Korea	4.368	0.181	0.125	Safe
5 MVA Takaoka	2.999	0.176	0.050	Safe
5 MVA New Korea	2.841	0.176	0.050	Safe

Table 14. Fault Analysis 13.2 KV Side

Feeder	Max (kA) LG	Min (kA) LG	Feeder Current	Remarks
1) Gapan	2.992	0.117	0.200	Safe
a) Mangino, Gapan	0.981	0.117	0.140	Safe
b) Pambuan, Gapan	0.963	0.117	0.140	Safe
2) Coop	2.906	0.174	0.200	Safe
3) Baluarte	2.834	0.119	0.200	Safe
Bayanihan, Gapan	0.833	0.119	0.140	Safe
4) CA/SI	4.362	0.127	0.200	Safe
San Roque, Cabiao	0.528	0.127	0.140	Safe
5) JA/SA	4.368	0.170	0.200	Safe
a) San Antonio	1.321	0.170	0.140	Safe
b) Jaen	1.329	0.170	0.140	Safe
6) WALTER	4.350	0.171	0.200	Safe
7) Malapit	4.333	0.173	0.200	Safe

15. **Efficiency.** System loss segregation revealed that technical loss at 12.39% is the major component of system losses in 2009 as against non-technical loss at 2.22%, while actual administrative loss was only at 0.15%. NEECOI's 2009 segregated system loss is given in **Table 15** below;

Table 15. Total System Loss

Technical Loss	12.39 %
Non Technical	2.22%
Administrative Loss	0.15 %
Total System Loss	14.76 %

16. **Reliability.** The calculated SAIFI and SAIDI of the distribution system are set at maximum 20 customer-interruptions per customer-year and 45 hours per customer-year respectively. Shown below is the reliability indices for year 2009.

Table 16. SAIFI, SAIDI, AND MAIFI REPORT FOR 2009

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
SAIFI	1.5402	7.4429	2.6789	3.511	4.2052	1.4681	2.4236	4.451	5.9131	9.0526	1.4138	1.7597	45.86
SAIDI	0.7991	11.17	2.9767	7.2018	8.7492	5.4046	10.8118	2.5286	7.6489	4.5054	7.5349	2.3795	71.711
MAIFI	0.871	2.028	3.0947	1.6238	1.0839	2.9866	2.4835	3.459	1.9651	0.7387	4.929	2.1455	27.409

17. **Power Quality-** TWG was able to identify feeders with voltage violation using the 0.9-1.1 per unit (p.u.) voltage criteria.

Table 16 shows the projected voltage profile of all feeders serving the area.

TECHNICAL ANALYSIS
PROJECTED VOLTAGE PROFILE

SUBSTATION	POWER TRANSFORMER	FEEDER	PER UNIT VOLTAGE				
			2010	2011	2012	2013	2014
MALAPIT S/S	5 MVA Takaoka	Gapan	0.83	0.82	0.81	0.80	0.78
		Coop	0.97	0.97	0.97	0.96	0.96
	5 MVA New Korea	Baluarde	0.88	0.87	0.86	0.85	0.84
		CA/SI	0.77	0.76	0.74	0.73	0.72
	10 MVA Westinghouse	SA/JA	0.68	0.67	0.65	0.63	0.61
		Walmart	0.95	0.94	0.94	0.94	0.93
10 MVA New Korea	Malapit	0.97	0.96	0.96	0.96	0.95	

18. **NON-NETWORK ASSETS PROJECTS:** Included in the Application are non-network projects all of which are essential and vital for the operation of the distribution utility and the improvement of its efficiency to provide better serve all its members - consumers, which includes among others full computerization and automation of accounting, engineering and warehouse. These are the following;

a. Distribution Automation System or SCADA

Computerization of Data monitoring (real-time) and system control process is aimed at providing efficient services to the consumers. This online real-time data access will lessen man hours because of its ability for on-line control of the system.

b. Synergee Electric Software

Management plans to acquire this software to address the power system planning modeling, analysis and simulation of electric power be it in the engineering planning, engineering operations, capital investment planning, ERC regulatory compliance, technical audit and inventory/logistical analysis, system loss reduction, system protection and device coordination, reliability indices calculation and prediction, wheeling the WESM, time of use/ time of day analysis, weather based load and capacity planning and forecasting.

c. Service and maintenance vehicles, mini boom truck, handheld radios, megger, hotstick telescopic, Linemen's tools sets, compression tool sets, step ladder extension, Linemen's gloves, hotstick shot guns

These are other areas of concern which management have considered in order to improve the delivery of service to member-consumers and power quality without sacrificing employees' lives and properties. The new units will replace the already old and dilapidated units.

d. Laptops, computers and accessories, automation software.

The new energy environment calls for automation in all aspects of coop operations. Upgrading the computerized billing and collection system will not only facilitate early fraud detection but likewise improve collection efficiency. Further, computerizing the accounting system will facilitate the early preparation of reports for submission to NEA, the Energy Regulatory Commission (ERC) and other parties requiring the said reports. Management likewise considered computerizing the Warehouse and the Sub-offices to improve the delivery of service to member-consumers.

Table 17. Non Network Projects.

Proposed CAPEX Projects NON-NETWORK PROJECTS			
Project Description		Total Cost	Implementing Year/s
1	Acquisition of Distribution Automation System (SCADA)	2,731,262	2012
2	Acquisition of Synergee Engineering Software	2,058,551	2010
3	Acquisition/Purchase of Test Instruments and Equipment		
	a. Maintenance Vehicles	1,321,080	2010
	b. Mini boom truck	5,264,625	2010-2012
	c. Handheld radios	84,421	2010
	d. Megger	1,321,080	2010
	e. Hotstick Telescopic	238,198	2010-2013
	f. Linemen's Tools sets	194,047	2010-2013
	g. Compression Tool sets	586,548	2010-2013
	h. Step Ladder Extension	547,723	2010-2013
	i. Linemen's Gloves	182,425	2010-2013
	j. Hotstick Shotguns	56,696	2010
	k. Service Vehicles	1,942,575	2012
4	Acquisition of Laptops	243,000	2010-2013
5	Acquisition of Computers and Accessories	997,400	2010-2013
6	Full Computerization and Automation of Billing, Accounting, Sub-offices	3,970,050	2011-2013
	TOTAL NON-NETWORK PROJECTS	21,739,681	

FINANCIAL AND ECONOMIC EVALUATION:

19. **Financing Plan.** NEECO I's capital projects will be financed through the Members Capital Contribution (MCC) Rate approved by ERC under RSEC-WR which envisioned to fund the amortization or debt servicing of indebtedness associated with the expansion, rehabilitation or upgrading of the existing electric power system of the Applicant, loans from the National Electrification Administration (NEA) and from Cooperatives General Fund. Table 10 below summarizes the CAPEX plan financiers to be pursued and the corresponding cost to be financed.

Table 18. SUMMARY OF IDENTIFIED FINANCIERS AND CORRESPONDING DESIRED BORROWINGS

FINANCIERS	PROJECT COST TO FINANCED ON THE Nth YEAR				
	TOTAL	2010	2011	2012	2013
National Electrification Administration	152,963,501	58,163,960	43,971,437	50,828,104	
Coop-Direct CAPEX Rate Financing	259,313,836	61,688,421	59,034,444	63,837,318	74,753,653
TOTAL COST TO FINANCED	412,277,336	119,852,381	103,005,881	114,665,422	74,753,653

20. **Cash Flow.** The Cash Flow is the ultimate basis of determining whether NEECO I would be able to viably pursue and implement the 4 year CAPEX plan.

Table 19. SUMMARY OF ANNUAL CASH FLOW COST OF CAPEX PLAN

FINANCING AMORTIZATION	2010	2011	2012	2013	TOTAL
National Electrification Administration	12,257,095	23,274,015	36,009,631	36,009,631	107,550,372
Coop-Direct CAPEX Rate Financing	8,065,516	9,836,336	13,140,858	11,469,650	42,512,360
Annual Cost of Amortization	20,322,611	33,110,351	49,150,488	47,479,281	150,062,731
Add: CAPEX Permit Fee	898,893	772,544	859,991	560,652	3,092,080
Total CAPEX Plan Cost to Consumers	21,221,504	33,882,895	50,010,479	48,039,933	153,154,811

21. Further, the whole capital expenditure structure of NEECO I will also have to consider previous indebtedness incurred in financing past capital projects outstanding as of 2009, such that including the amortization of the said indebtedness will have the cash flow as shown in Table 20 below;

Table 20. SUMMARY OF CASH FLOW COST OF CAPEX PLAN INCLUDING AMORTIZATION OF PAST INDEBTEDNESS

	2010	2011	2012	2013	TOTAL
CAPEX Annual Additional CF Revenue:					
Total Cost of Amortization(New CAPEX)	15,258,833	28,713,207	44,067,678	47,479,281	135,518,999
ERC CAPEX Permit Fee	898,893	772,544	859,991	560,652	3,092,080
Total Cost of Amortization (Existing)	1,975,876	1,975,876	1,975,876	1,975,876	7,903,504
Annual CAPEX Plan CF(Revenue Requirement)	18,133,602	31,461,627	46,903,545	50,015,809	146,514,583

22. **Rate Impact.** The CAPEX Plan is envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the most value to

Table 21. EXCERPTS FROM CASH FLOW ANALYSIS SHOWING RATE IMPACT IN TERMS OF RATE PER KWH

	2010	2011	2012	2013	TOTAL
kWh Sales Forecast	109,060,065	119,352,282	129,644,501	139,936,717	497,993,565
Annual Revenue Cash Flow from MCC Rate	31,671,043	34,659,903	37,648,763	40,637,623	144,617,331
Current MCC Rate per kWh	0.2904	0.2904	0.2904	0.2904	0.2904
CAPEX Plan Cost Cash Flow Indicative Rate	49,804,645	66,121,530	84,552,308	90,653,432	291,131,914
per kWh					
Indicative Additional Revenue Requirement	18,133,602	31,461,627	46,903,545	50,015,809	146,514,583
Current MCC Rate per kWh	0.2904	0.2904	0.2904	0.2904	0.2904
CAPEX Plan Cost Cash Flow Indicative Rate	0.4567	0.5540	0.6522	0.6478	0.5846
per kWh					
Indicative Additional Revenue Requirement	0.1663	0.2636	0.3618	0.3574	0.2942
per kWh					

23. **Conclusion on the Financial Evaluation.** The following are conclusions derived based on the financial analysis:

- All CAPEX projects will have to be financed by Coop-Direct MCC CAPEX Rate as well loans to spread and minimize cost impact to the end users
- NEECO I can viably pursue and implement the four (4) year CAPEX plan if and only when the corresponding rate per kWh is at least equivalent to the total revenue requirement of the CAPEX plan and debt service amortization of the outstanding term debts
- The approval and realization of the four (4) year CAPEX plan in compliance with the Energy Regulatory Commission (ERC). The four (4) year CAPEX plan therefore is anchored on a foremost consideration that the Cooperative is accordingly and timely afforded by the ERC of a corresponding indicative additional revenue requirement per kWh of P 0.2942 over the current Members Capital Contribution (MCC) rate of P 0.2904 per kWh

24. **Sensitivity.** In consideration of any eventuality that could occur in the normal course of business towards revenue and cost, the following scenarios were simulated:

- Revenue is 110% and 90% of projections;
- Selected capital projects identified for bank financing may be obtained with a longer repayment term of up to 10 years; and
- All Capital projects identified for bank financing may be obtained at 15% instead of 9%

25. Sensitivity considerations on the said capital projects, as well as with the revenue projections, do not change significantly the indicative rates and rate impact to that of the base assumptions. The following Table 22 shows the result of the sensitivity analysis.

Table 22. Results of Sensitivity Analysis

	2010	2011	2012	2013	TOTAL
kWh Sales Forecast					
100%	109,060,065	119,352,282	129,644,501	139,936,717	497,993,565
110%	119,966,072	131,287,510	142,608,951	153,930,389	547,792,922
90%	98,154,059	107,417,054	116,680,051	125,943,045	448,194,209
Current MCC Rate per kWh	0.2904	0.2904	0.2904	0.2904	0.2904
CAPEX Plan Cost Cash Flow Indicative					
Rate per kWh					
100%					0.5846
110%					0.5459
90%					0.6250
Indicative Additional RevReq per kWh					
100%					0.2942
110%					0.2555
90%					0.3346
Indicative Additional RevReq (%)					
100%					101%
110%					88%
90%					115%

Pursuant to the directives of the Energy Regulatory Commission, Applicant NEECO I is attaching the following Annexes as additional compliance to wit:

- Annex “III”** Affidavit of Undertaking/Sworn Statement that an application for approval from the concerned agencies has been filed/shall be filed
- Annex “IV and Series”** Affidavits of Service/Proofs of Public Information Dissemination
- Annex “V and Series”** Notice
- Annex “VI and Series”** Certifications from the LGUs of receipt of Notice

PRAYER

WHEREFORE, in view of the foregoing, it is respectfully prayed that NEECO I's application for capital expenditures (including non-network assets) for the period 2010-2013 be approved and that provisional authority to implement said projects be issued.

That pursuant to the said approval capital expenditures, NEECO I be given authority by this Honorable Commission to secure loans for the financing of the said projects

NEECO I prays for other relief which are just, legal and equitable under the premises.

Pasig City, 15 September 2010.

LERIOS-AMBOY & UYBARRETA LAW OFFICES
Counsel for NEECO I

Units 1609-1610, Tycoon Centre Condominium
Pearl Drive, Ortigas Center, Pasig City 1605

By:



CARLOS ROMAN L. UYBARRETA
PTR No. 5152986/Jan. 6, 2010/Pasig City
IBP Lifetime No. 01482/Rizal Chapter
MCLE Compliance No. II-0007174
Roll No. 39013



DITAS A. LERIOS-AMBOY
PTR No. 5914248/Jan. 6, 2010/Pasig City
IBP No. 807570/Jan. 6, 2010/Rizal Chapter
MCLE Compliance No. II-0006100
Roll No. 40628