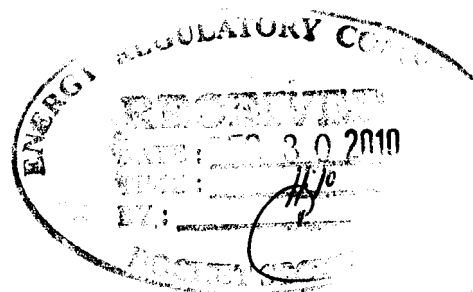


Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
San Miguel Avenue, Pasig City

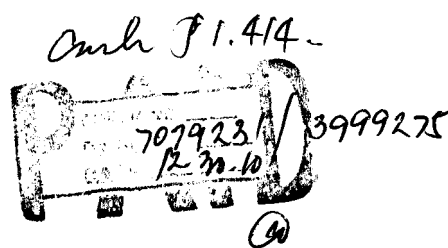
IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF CAPITAL EXPENDITURE  
PROGRAM FOR THE YEAR 2011 to  
2015 and FOR AUTHORITY TO  
SECURE LOAN, WITH PRAYER FOR  
PROVISIONAL AUTHORITY



2010-160  
ERC CASE NO. \_\_\_\_\_ RC

NEGROS ORIENTAL ELECTRIC  
COOPERATIVE, INC. (NORECO I)  
Applicant.

x ----- x



## APPLICATION

Applicant, **NEGROS ORIENTAL ELECTRIC COOPERATIVE, INC. (NORECO 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 Tinaogan, Bindoy, Negros Oriental, represented  
herein by its General Manager, Mr. Jose Juvileo D. Acabal, per Board Resolution  
hereto attached as **Annex "A"**,

2. Herein applicant is the exclusive franchise holder issued by the National  
Electrification Commission (hereafter "NEC"), to operate an electric light and power  
distribution service in two (2) cities and nine (9) municipalities of the Province of Negros

Oriental, namely: Bais City, Canlaon City, Manjuyod, Mabinay, Bindoy, Ayungon, Tayasan, Jimalalud, La Libertad, Guihulngan and Vallehermoso.

3. NORECO 1's proposed capital expenditure projects for 2011 to 2015, are summarized and enumerated below, as follows:

**Substation and Sub-Transmission Development Projects**

Project No.	Project Name	Estimated Cost	Schedule of Implementation
STX-001	Acquisition of 92.5 km 69 KV Sub-transmission Line	93,324,000	2011
STX-002	Construction of 29 km Guihulngan-Bagawines 69 KV Sub-Transmission Line and Installation of 5MVA Bagawines sub-station	78,757,236	2014-2015
STX-003	Purchase and installation of PCB for Bais and Guihulngan sub-station	11,310,720	2013-2014
STX-004	Right of Way acquisition for Guihulngan sub-station	160,000	2011
	<b>TOTAL</b>	<b>183,551,956</b>	

**Primary Distribution Development Projects**

Project No.	Project Name	Estimated Cost	Schedule of Implementation
PDS-001	Purchase of reclosers and capacitors	1,021,554	2012
	<b>TOTAL</b>	<b>1,021,554</b>	

**Secondary Distribution Development and New Customer Connection Projects**

SDC-001	Purchase of Distribution Transformer	19,057,123	2011-2015
SDC-002	Purchase of Conductors	3,042,312	2010-2014
	<b>TOTAL</b>	<b>22,099,435</b>	

### Asset Renewal Projects

RNW-001	Replacement of Rotten Poles in the entire coverage area	11,008,972	2011-2014
RNW-002	Replacement of Defective KWH Meters in the entire coverage area	22,426,200	2011-2014
	<b>TOTAL</b>	<b>33,435,172</b>	

### Electrification Projects

ELC-001	Operation and Maintenance of 2010-2014 Rural Electrification Subsidy Projects	2,012,707	2011-2015
	<b>TOTAL</b>	<b>2,012,707</b>	

### Distribution Management System Projects

DMP-001	Purchase of Electrical Engineering Software & Load Logger	3,528,000	2011
DMP-002	Upgrading of office communication system	145,000	2011
DMP-003	Automation of Payroll, Accounting and Warehousing	4,630,000	2011
DMP-004	Purchase of Scion and Printers	1,350,000	2014
DMP-005	Purchase of Power Generator	650,000	2010
DMP-006	Purchase of Standard kWhr Meter	1,500,000	2011
DMP-007	Hydrological Study of Anulod River for Mini Hydro Establishment	337,000	2010-2011
	<b>TOTAL</b>	<b>12,140,000</b>	

### Tools and Vehicle Requirement

TV-001	Purchase of 3 units maintenance vehicle, 1 unit boom truck and 2 sets boom	3,260,250	2011 & 2014
TV-002	Purchase of Line Tools & Equipment	4,136,580	2010-2014
TV-003	Purchase of Vehicle (Admin)	925,000	2014-2015
TV-004	Purchase of Mobile Collection Van	1,500,000	2013
	<b>TOTAL</b>	<b>9,821,830</b>	

### Building Development Projects

BD-001	Rehabilitation of Administration Building and Power	2,156,052	2011-2012
	<b>TOTAL</b>	<b>2,156,052</b>	

**GRAND TOTAL**

**PhP 266,238,707**

4. Table 1 below shows that at present, NORECO 1 has four (4) substations, located at Bais City, Bindoy, Guihulngan and Mabinay, all in the Province of Negros Oriental.

**Table 1 – NORECO 1 Substation and Feeders**

Substation Number	Substation Name	Capacity in MVA	Location
1	Bais	5	Consolacion, Bais City
2	Bindoy	5	Tinaogan, Bindoy
3	Guihulngan	10	Culo, Guihulngan
4	Mabinay	3.75	Tadlong, Mabinay

5. NORECO 1's energy sales has an increasing trend with an average annual growth of 5.9% from a sale of 21,741,892 kWh for 2000 to 37,975,197 kWh in 2009 as summarized in **Table 2**.

**Table 2 - ANNUAL ENERGY SALES 2000-2009**

YEAR	KWh Sold
2000	21,741,892
2001	24,109,441
2002	24,419,085
2003	26,977,203
2004	29,378,420
2005	31,617,935

2006	31,448,542
2007	33,734,999
2008	35,634,814
2009	37,975,197

6. The total length of overhead distribution lines per type of configuration for the entire distribution system is shown in **Table 3**.

**Table 3 – Overhead Distribution Line**

	Type	Length, km
Primary	Double Circuit	3.251
	3 Phase	203.206
	V Phase	62.556
	1 Phase	968.466
Secondary	Under built	709.144
Total	Open Secondary	418.369
<b>Total</b>		<b>2,364.99</b>

7. Annual system performance is presented in **Table 4**. NORECO 1's average load factor and system power factor are 53.25% and 98% respectively.

**Table 4 – Annual System Performance**

	LOAD FACTOR	POWER FACTOR
2002	50%	96%
2003	53%	98%
2004	54%	98%
2005	51%	98%
2006	54%	98%
2007	52%	99%
2008	58%	99%
2009	54%	98%

8. NORECO 1's Capital Expenditures (CAPEX) Plan for the period 2011-2015 is discussed in detail in Folder I , **Annex "B"** hereof, while the other supporting

documents for its application for approval to secure loan is the herein attached Folder 2 and made integral part of as **Annex B-1**”

9. The Justifications for the Proposed Capital Projects and the Summary of Capital Expenditures are shown in ERC-specified templates which are attached herein;

10.. NORECO 1’s technical performance in terms of capacity, power quality, efficiency, reliability and safety was evaluated. Scientific forecasting of demand and sales was conducted and the results were tested for validity and those that did not pass were rejected;

11.. A PowerWorld software is being utilized in simulation and determination of optimum expansion patterns and alternatives;

**12.. Capacity.** The projected substation loads were evaluated applying the forecast demand for every substation and was compared to each rated capacity. The findings and analysis are discussed in detailed in Chapter 3 of the Distribution Development Plan. **Table 5** illustrates the percent loading of each substation from 2011 to 2015.

**Table 5 – Substation Demand Forecast (% of Max. MW)**

SUBSTATION	Feeder	CAPACITY PROFILE (%)				
		2011	2012	2013	2014	2015
Bais	A1	73	76	80	83	86
	A2					
Bindoy	B1	51	52	53	54	55
	B2					
Guihulngan	C1	41	42	43	44	45
	C2					
Mabinay	D1	25	26	26	27	27
	D2					

**13.. Power Quality.** The load flow summary for all the 8 feeders for year 2011 to 2015 is shown in Table 6. Based on the voltage profile of each feeder, voltage violation will exist in the distribution network within the planning periods.

**Table 6 – Power Quality Summary Voltage Profile**

SUBSTATION	Feeder	VOLTAGE PROFILE (P.U.)				
		2011	2012	2013	2014	2015
Bais	A1	0.97	0.97	0.96	0.96	0.96
	A2	0.93	0.93	0.92	0.92	0.91
Bindoy	B1	0.91	0.91	0.90	0.90	0.90
	B2	0.91	0.90	0.90	0.90	0.90
Guihulngan	C1	0.64	0.59	0.55	0.54	0.53
	C2	0.92	0.91	0.91	0.90	0.90
Mabinay	D1	0.99	0.99	0.99	0.99	0.98
	D2	0.98	0.98	0.98	0.98	0.97

**14. Efficiency.** Technical losses are simulated per feeder per year based on the forecasted data. Technical simulation result with and without the projects are shown in Tables 7 & 8.

**Table 7 – Technical Losses without Project**

SUBSTATION	Feeder	% TECHNICAL LOSS				
		2011	2012	2013	2014	2015
Bais	A1	4.30	4.60	5.10	5.50	5.85
	A2	4.38	4.60	5.02	5.30	5.52
Bindoy	B1	6.64	6.75	6.93	7.16	7.33
	B2	9.38	9.76	9.84	10.19	10.48
Guihulngan	C1	37.15	37.81	43.20	43.45	43.67
	C2	10.00	10.08	10.52	10.58	10.71
Mabinay	D1	0.90	0.87	0.85	0.82	0.97
	D2	0.98	1.14	1.1080	1.25	1.32
AVERAGE		9.22	9.45	10.32	10.53	10.73

**Table 8 – Technical Losses with Projects**

SUBSTATION	FEEDER	% TECHNICAL LOSS				
		2011	2012	2013	2014	2015
BAIS	A1	1.63	1.63	1.64	1.70	1.76
	A2	4.08	4.38	4.60	5.02	5.30
BINDOY	B1	5.95	7.39	7.94	7.69	8.20
	B2	17.76	19.95	19.87	19.80	21.88
GUIHULNGAN	C1	3.39	3.54	3.74	4.01	4.08

	<b>C2</b>	10.00	10.08	10.52	10.58	10.84
<b>MABINAY</b>	<b>D1</b>	0.90	0.87	0.85	0.82	0.97
	<b>D2</b>	0.98	1.14	1.10	1.25	1.32
<b>BAGAWINES</b>	<b>E1</b>	4.24	4.30	4.368	4.45	4.538
	<b>E2</b>	4.24	4.30	4.368	4.45	4.538
<b>AVERAGE</b>		5.32	5.76	5.90	5.98	6.34

**15. Reliability.** Table 9 shows the Reliability Indices of NORECO 1. Even though the system reliability of NORECO 1 are within the standard set by National Electrification Administration (NEA), however projects intended to further improve the system reliability were identified.

**Table 9 – System Reliability**

<b>INDICES</b>	<b>SAIDI</b>	<b>SAIFI</b>	<b>MAIFI</b>
<b>NEA STANDARD</b>	<b>70-90 int./cus</b>	<b>0.8-1.3 int./cus</b>	<b>0.25 - &lt;3 min.</b>
<b>2003</b>	<b>196.885</b>	<b>1.620</b>	<b>0.945</b>
<b>2004</b>	<b>117.181</b>	<b>1.147</b>	<b>2.665</b>
<b>2005</b>	<b>80.118</b>	<b>0.767</b>	<b>0.186</b>
<b>2006</b>	<b>77.487</b>	<b>0.967</b>	<b>0.290</b>
<b>2007</b>	<b>76.730</b>	<b>0.681</b>	<b>0.532</b>
<b>2008</b>	<b>42.824</b>	<b>0.798</b>	<b>0.721</b>
<b>2009</b>	<b>64.888</b>	<b>0.953</b>	<b>0.743</b>

**16. Safety.** There is a need to improved protection against fault and abnormalities for Bais, Bindoy and Guihulngan substations. The protection scheme should be able to coordinate with the relay settings of NGCP. This requires installation of SF6 Power Circuit breaker for the above-mentioned substations.

### **FINANCIAL AND ECONOMIC EVALUATION:**

**17. Financing Plan.** NORECO 1'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 and other funds acquired through loans from National Electrification Administration with the least percentage of interest. **Table 11** below summarizes the CAPEX plan financiers to be pursued and the corresponding costs to be financed

**Table 11 -.SUMMARY OF IDENTIFIED FINANCIERS AND  
CORRESPONDING DESIRED BORROWING**

Source of Funds	Project Cost to be financed	Annual Project Cost					
		2010	2011	2012	2013	2014	2015
Members' Contribution for CAPEX (MCC)	102,805,810	14,359,545	15,375,769	16,532,649	17,689,184	18,846,064	20,002,600
National Electrification Administration	67,457,684	0	10,478,000	0	0	49,720,500	7,259,184
<b>TOTAL</b>	<b>170,263,494</b>	<b>14,359,545</b>	<b>25,853,769</b>	<b>16,532,649</b>	<b>17,689,184</b>	<b>68,566,564</b>	<b>27,261,784</b>

**18. Cash Flow.** The Cash Flow is basically the ultimate basis of determining whether NORECO 1 is able to viably pursue and implement the 5-year CAPEX Plan

Source of Funds	Total	FINANCIAL REQUIREMENTS					
		2010	2011	2012	2013	2014	2015
Members' Contribution for CAPEX (MCC)	102,805,810	14,359,545	15,375,769	16,532,649	17,689,184	18,846,064	20,002,600
National Electrification Administration	67,457,684	0	10,478,000	0	0	49,720,500	7,259,184
<b>TOTAL</b>	<b>170,263,494</b>	<b>14,359,545</b>	<b>25,853,769</b>	<b>16,532,649</b>	<b>17,689,184</b>	<b>68,566,564</b>	<b>27,261,784</b>
CAPEX Approval Fee	1,945,734	389,147	389,147	389,147	389,147	389,147	389,147
Legal Fees, Publication & Other related cost	1,050,000	1,050,000					
<b>TOTAL CAPEX Plan Cost to Consumers</b>	<b>173,259,228</b>	<b>15,798,691</b>	<b>26,242,916</b>	<b>16,921,795</b>	<b>18,078,331</b>	<b>68,955,711</b>	<b>27,650,930</b>

19.. Further, the whole capital expenditure structure of NORECO 1 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 13** below;

**Table 13 - SUMMARY OF CASH FLOW COST OF CAPEX PLAN INCLUDING  
AMORTIZATION OF PAST INDEBTEDNESS**

	2010	2011	2012	2013	2014	2015
<b>Revenue from MCC</b>	<b>14,359,545</b>	<b>15,375,769</b>	<b>16,532,649</b>	<b>17,689,184</b>	<b>18,846,064</b>	<b>20,002,600</b>
CAPEX Plan (Internal Financing / MCC )	11,805,778	16,712,114	20,565,122	24,973,533	32,938,365	31,273,110
CAPEX Plan Amortization	0	0	2,728,862	2,728,862	2,728,862	8,588,152
CAPEX Approval Fee	389,147	389,147	389,147	389,147	389,147	
Legal Fees, Publication & Other related cost	1,050,000					
<b>Sub-Total CAPEX Plan Cost</b>	<b>13,244,925</b>	<b>17,101,261</b>	<b>23,683,131</b>	<b>28,091,542</b>	<b>36,056,374</b>	<b>39,861,262</b>
Previous Loan Amortization	5,944,941	5,343,060	3,418,654	2,250,976	1,528,409	1,462,944
<b>Total CAPEX Plan Cost</b>	<b>19,189,866</b>	<b>22,444,321</b>	<b>27,101,785</b>	<b>30,342,518</b>	<b>37,584,783</b>	<b>41,324,206</b>
Add: Cash Beg.	<b>4,834,368</b>	<b>4,046</b>				
<b>Net Cash Flow</b>	<b>4,046</b>	<b>-7,064,505</b>	<b>-10,569,136</b>	<b>-12,653,333</b>	<b>-18,738,719</b>	<b>-21,321,606</b>

**20. 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 consumers at the most reasonable and justifiable electricity rate or at the least cost of service. **Table 14** below presents the annual rate impact from MCC of the CAPEX Plan.

**Table 14 - CASH FLOW ANALYSIS SHOWING RATE  
IMPACT IN TERMS OF RATE PER KWH PER YEAR**

Proposed CAPEX year 2010-2015	PROPOSED					
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	5 <sup>th</sup>	6 <sup>th</sup>
Year 2010	13,244,925					
Year 2011		27,579,260				
Year 2012			20,954,268			
Year 2013				25,362,679		

Year 2014					83,048,012	
Year 2015						38,532,294
<b>Total</b>	<b>13,244,925</b>	<b>27,579,260</b>	<b>20,954,268</b>	<b>25,362,679</b>	<b>83,048,012</b>	<b>38,532,294</b>
Existing NEA Loan amortization	5,944,941	5,343,060	3,418,654	2,250,976	1,528,409	1,462,944
Proposed NEA loan amortization		-	2,728,862	2,728,862	2,728,862	8,588,152
<b>CAPEX PLAN COST</b>	<b>19,189,866</b>	<b>32,922,320</b>	<b>27,101,785</b>	<b>30,342,517</b>	<b>87,305,283</b>	<b>48,583,391</b>
Forecasted Energy Sales	41,755,000	44,710,000	48,074,000	51,437,000	54,801,000	58,164,000
Current MCC Rate/Kwh	0.3439	0.3439	0.3439	0.3439	0.3439	0.3439
MCC Collection	14,359,544	15,375,769	16,532,648	17,689,184	18,846,064	20,002,600
Add: MCC Cash Beg.	4,834,368	4,046	-			
NEA Loan		10,478,000		-	49,720,500	7,259,184
<b>Total MCC Cash Available</b>	<b>19,193,912</b>	<b>25,857,815</b>	<b>16,532,648</b>	<b>17,689,184</b>	<b>68,566,564</b>	<b>27,261,784</b>
Indicative Additional Revenue Requirement		7,064,505	10,569,136	12,653,333	18,738,719	21,321,607
Current MCC Rate per kWh	0.3439	0.3439	0.3439	0.3439	0.3439	0.3439
Capex Plan Cost Cash Flow Indicative Rate per kWh		0.5019	0.5638	0.5899	0.6858	0.7105
Indicative Additional Revenue Requirement per kWh		0.1580	0.0619	0.0261	0.0959	0.0247

**21. Conclusion of the Financial Evaluation.** The following are conclusions derived from the financial analysis:

- All capex projects will have to be financed by Members' Contribution for Capital Expenditures as well as proposed loans from the National Electrification Administration to spread and minimize cost impact on cost to electricity end-users
- NORECO 1 can viably pursue and implement the 5 years 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 outstanding term debts

- The approval and realization of the 6-year capex plan in compliance with the Energy Regulatory Commission (ERC). The 5-year capex plan therefore is anchored on a foremost consideration that the Cooperative is accordingly and timely afforded by ERC of a corresponding rate adjustment as what the Commission may deem applicable under the circumstances.
- Projects which will have no financial backing from lending institution (or financing takers) shall have to be postponed or suspended, as maybe applicable, and altogether re-evaluated, if necessary to be implemented or realized.

**22. 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 105% and 95% of projections;
- All capital projects identified though loan from the National Electrification Administration (NEA) may be obtained at 10% interest rate per annum.

23. The following **Tables 15** show the result of the sensitivity analysis (CAPEX plan including amortization of existing debts):

Proposed CAPEX year 2010-2015	P R O P O S E D					
	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>rd</sup>	5 <sup>th</sup>	6 <sup>th</sup>
Year 2010	13,244,925					
Year 2011		27,579,261				
Year 2012			20,954,269			
Year 2013				25,362,679		
Year 2014					83,048,012	
Year 2015						38,532,295

<b>Total</b>	<b>13,244,925</b>	<b>27,579,261</b>	<b>20,954,269</b>	<b>25,362,679</b>	<b>83,048,012</b>	<b>38,532,295</b>
<b>Existing NEA Loan amortization</b>	<b>5,944,941</b>	<b>5,343,060</b>	<b>3,418,654</b>	<b>2,250,976</b>	<b>1,528,409</b>	<b>1,462,944</b>
<b>Proposed NEA loan amortization</b>		<b>-</b>	<b>2,728,862</b>	<b>2,728,862</b>	<b>2,728,862</b>	<b>8,588,153</b>
<b>CAPEX PLAN COST</b>	<b>19,189,866</b>	<b>32,922,321</b>	<b>27,101,785</b>	<b>30,342,518</b>	<b>87,305,284</b>	<b>48,583,391</b>

<b>Forecasted Energy Sales – 95%</b>	<b>39,667,250</b>	<b>42,474,500</b>	<b>45,670,300</b>	<b>48,865,150</b>	<b>52,060,950</b>	<b>55,255,800</b>
<b>Current MCC Rate/Kwh</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>
<b>MCC Collection</b>	<b>13,641,567</b>	<b>14,606,981</b>	<b>15,706,016</b>	<b>16,804,725</b>	<b>17,903,761</b>	<b>19,002,470</b>
<b>Add: MCC Cash Beg.</b>	<b>4,834,368</b>					
<b>NEA Loan</b>		<b>10,478,000</b>			<b>49,720,500</b>	<b>7,259,184</b>
<b>Total MCC Cash Available</b>	<b>18,475,935</b>	<b>25,084,981</b>	<b>15,706,016</b>	<b>16,804,725</b>	<b>67,624,261</b>	<b>26,261,654</b>
<b>Indicative Additional Revenue Requirement</b>	<b>713,931</b>	<b>7,837,340</b>	<b>11,395,769</b>	<b>13,537,793</b>	<b>19,681,023</b>	<b>22,321,737</b>
<b>Current MCC Rate per kWh</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>
<b>Capex Plan Cost Cash Flow Indicative Rate per kWh</b>	<b>0.3619</b>	<b>0.5284</b>	<b>0.5934</b>	<b>0.6209</b>	<b>0.7219</b>	<b>0.7479</b>
<b>Indicative Additional Revenue Requirement per kWh</b>	<b>0.0180</b>	<b>0.1665</b>	<b>0.0650</b>	<b>0.0275</b>	<b>0.1010</b>	<b>0.0259</b>

<b>Forecasted Energy Sales – 105%</b>	<b>43,842,750</b>	<b>46,945,500</b>	<b>50,477,700</b>	<b>54,008,850</b>	<b>57,541,050</b>	<b>61,072,200</b>
<b>Current MCC Rate/Kwh</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>
<b>MCC Collection</b>	<b>15,077,522</b>	<b>16,144,557</b>	<b>17,359,281</b>	<b>18,573,644</b>	<b>19,788,367</b>	<b>21,002,730</b>
<b>Add: MCC Cash Beg.</b>	<b>4,834,368</b>	<b>0</b>	<b>0</b>	<b>0</b>		
<b>NEA Loan</b>		<b>10,478,000</b>		<b>0</b>	<b>49,720,500</b>	<b>7,259,184</b>
<b>Total MCC Cash Available</b>	<b>19,911,890</b>	<b>26,622,557</b>	<b>17,359,281</b>	<b>18,573,644</b>	<b>69,508,867</b>	<b>28,261,914</b>
<b>Indicative Additional Revenue Requirement</b>	<b>-722,024</b>	<b>6,299,764</b>	<b>9,742,504</b>	<b>11,768,874</b>	<b>17,796,417</b>	<b>20,321,477</b>
<b>Current MCC Rate per kWh</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>	<b>0.3439</b>
<b>Capex Plan Cost Cash Flow Indicative Rate per kWh</b>	<b>0.3274</b>	<b>0.4781</b>	<b>0.5369</b>	<b>0.5618</b>	<b>0.6532</b>	<b>0.6766</b>
<b>Indicative Additional Revenue Requirement per kWh</b>		<b>0.1342</b>	<b>0.0588</b>	<b>0.0249</b>	<b>0.0914</b>	<b>0.0235</b>

24. As shown in Table 12 above, most of the projects shall be financed thru Members' Contribution for Capital Expenditures and thru loans. In view thereof,

NORECO 1 likewise applies with the Honorable Commission for authority to secure those loans.

25. Moreover, applicant moves for the issuance of a provisional authority while the case is pending, to implement the projects and to secure loans to finance the same, to enable it to deliver a more reliable and efficient electric service to its member-consumers at the earliest possible time.

26. Finally, applicant is likewise submitting herewith the following documents in compliance with the pre-filing requirements pursuant to the ERC Rules of Practice and Procedure as well as other applicable laws and rules, to wit:

<i>Annexes "C to C-1 "</i>	Affidavit of Undertaking / Sworn Statement that an application for approval from the concerned agencies has been filed / shall be filed;
<i>Annex "D to D-1"</i>	Affidavit of Posting/ Proof of Public Information Dissemination, and Notice on the Proposed Projects
<i>Annex "E to E-1"</i>	Certifications of the Sangguniang Bayan of Bindoy and Sangguniang Panlalawigan of Negros Oriental
<i>Annex "F to F-2"</i>	Publication of the Application in a newspaper of general circulation within NORECO 1's franchise area or where it principally operates.

## **PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission that upon initial review of the instant application and pending trial on the merits, a provisional authority be issued to implement said projects and to secure loans to finance the same, and that after trial on the merits, the application for approval of NORECO 1's capital expenditure program for the period 2011-2015 and for the authority to secure loans be permanently granted.

NORECO 1 prays for other relief, just and equitable under the premises.

Pasig City, December 15, 2010.

**LERIOS-AMBOY & UYBARRETA LAW OFFICES**

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By:



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