

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

**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF FORCE MAJEURE CAPITAL
EXPENDITURE PROJECT
(REPAIR AND/OR
REPLACEMENT OF FACILITIES
AND EQUIPMENT DAMAGED BY
TYPHOON ODETTE), WITH
APPLICATION FOR AUTHORITY
TO SECURE A LOAN FROM THE
NATIONAL ELECTRIFICATION
ADMINISTRATION (NEA),**

ERC CASE NO. 2022-025RC

April 06, 2022

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

Applicant.

X-----X

APPLICATION

Applicant NEGROS ORIENTAL I ELECTRIC COOPERATIVE INC. (NORECO I), through the undersigned counsel, respectfully states that:

1. Applicant NORECO I is an electric cooperative duly organized and existing under the laws of the Republic of the Philippines with office address at Tinaogan, Bindoy, Negros Oriental.

2. NORECO I was granted a franchise to operate an electric light and power distribution service in the municipalities of Mabinay, Manjuyod, Bindoy, Ayungon, Tayasan, Jimalalud, La Libertad, and Vallehermoso, and the cities of Guihulngan, Bais, and Canlaon, all in the province of Negros Oriental.

COMPLIANCE WITH REGULATORY REQUIREMENTS

3. The instant filing is made pursuant to the Revised Rules of Practice and Procedure as well as the Amended Rules for Approval of Regulated

Entities' Capital Expenditure Projects (Resolution No. 26, Series of 2009) issued by the Honorable Commission.

4. In compliance with the foregoing, the following documents are attached and made an integral part of this Application.

5. **Annex "A"** is the Board Resolution issued by NORECO I, this establishes that the filing of this Application was duly authorized by it and the Verification herein was executed by the proper person.

6. **Annexes "B" and "B-1"** is the Notice that was properly filed within three (3) months from the occurrence of the force majeure event, in compliance with Article 3.3 of the said Resolution No. 26, as well as the letter of acknowledgment from the Commission.

7. In compliance with Rule 6 of the ERC Revised Rules of Practice and Procedure, NORECO I furnished copies of the Application with all its annexes and accompanying documents. Copies of the proofs of service to the Office of the Municipal Mayor and the Sangguniang Bayan of Bindoy, Negros Oriental and the Office of the Provincial Governor and the Sangguniang Panlalawigan of Negros Oriental are attached as **Annexes "C"** and its sub markings.

8. **Annex "D"** and its sub-markings are the proofs that the Application *sans* Annexes was published in its entirety in a newspaper of general circulation within the franchise area, in compliance with the same Rule 6 of the ERC Revised Rules of Practice and Procedure.

EXECUTIVE SUMMARY

9. A "Project Application" was prepared, which is attached and made an integral part hereof as **Annex "E"**.

10. The salient provisions are summarized in the following paragraphs.

11. **Force Majeure Event.** Typhoon Odette (international name "Rai") made landfall at around midnight of 17 December 2021 in La Libertad, Negros Oriental, within the franchise area of NORECO I, carrying with it maximum sustained winds of 175 km/h near the center, gustiness of up to 240km/hr and a central pressure of 935 hPa. This resulted not only in a widespread blackout throughout the region; water supply and communication services were also adversely affected. The province of Negros Oriental immediately declared a state of calamity.

12. **Project Description.** The project consists of the repair and/or replacement of damaged network assets, wireless communication assets, building structures and other equipment including the following:

- a. A total of 5,288 poles were brought down by Typhoon Odette, of which 2,700 poles were heavily damaged and needed replacement. Several units of transformers, kWh meters and conductors also needed replacement.
- b. Seven (7) wireless and radio communication towers were built to interlink the substation and linemen. These towers were brought down by Typhoon Odette, also damaging the installed equipment.
- c. The Cooperative Administration Building was hit by a huge tree. The premises were also flooded because the building was constructed on a river bank. This resulted not only to damaged building structures, but also the destruction of necessary equipment such as the computers and printers required for billing and collection.

13. **Justification and/or Benefits of the Project.** The repair and restoration of the facilities of NORECO I is necessary to enable it to service its franchise area. The project includes both first priority activities for immediate power restoration and second priority activities to restore non-network facilities necessary to adequately service its consumers and ensure the safety and security of employees.

14. **Estimated Project Cost.** The estimated total cost of implementation is P172,428,866.93.

15. **Project Financing Plan.** The proposed force majeure capital expenditure project will be partially financed by a loan of P100,000,000.00 from the National Electrification Administration (NEA) for a term of ten (10) years with 3.25% interest per annum exclusive of Documentary Stamp Tax and a one (1) year grace period. The balance will be sourced from collections through the Reinvestment Fund for Sustainable CAPEX (RFSC).

16. **Project Schedule.** Immediately after lifting of storm warnings, restoration activities commenced together with the assessment and inventory of damages sustained. In view of the upcoming National Elections, NORECO I targets the restoration of power to all household connections by 30 April 2022, prioritizing schools and barangay halls; a delay in the full restoration of power to residential dwellings is anticipated for external reasons such as the need to relocate houses in locations now considered hazardous.

17. **Rate Impact.** The indicative rate of the CAPEX - Force Majeure Event due to Typhoon Odette was based on the computed annual cash flow cost. An average shortfall of 0.4430 was computed for the 2021 to 2022 period indicating the need for additional inflows into the RFSC.

Particulars	2021	2022	TOTAL
Actual Energy Sales, kWh	83,408,512	82,203,895	165,612,406
Current RFSC Rate	0.3439	0.3439	0.3439
RFSC balance beginning per AFS, PhP	8,881,724	9,525,875	8,881,724
FUND INFLOWS			
RFSC Collections, Php	1,813,518	28,269,919	30,083,438
Loan proceeds from financial institutions, Php		100,000,000	100,000,000
Total Fund Inflows, PhP	1,813,518	128,269,919	130,083,438
Available cash for disbursement	10,695,242	137,795,794	138,965,161
FUND OUTFLOWS			
CAPEX - Force Majeure, PhP	-	172,428,867	172,428,867
CAPEX cost (2015-2020), PhP	729,145	28,269,919	28,269,919
Payment for amortization/s for previous loan (PhP)	440,222	9,169,054	9,609,276
Permit Fee, PhP	-	1,293,217	1,293,217
Total Fund Outflows, PhP	1,169,367	211,161,056	212,330,424
Fund balance ending, PhP, excess/(shortfall)	9,525,875	(73,365,262)	(73,365,262)
Excess/(shortfall) on RFSC, PhP/kWh	0.1142	(0.8925)	(0.4430)

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed to this Honorable Commission that a **DECISION** be rendered **APPROVING** the instant Application and **GRANTING AUTHORITY TO SECURE LOANS** to NORECO I to finance the repair and/or replacement of damaged network assets, wireless communication assets, building structures and other equipment arising from Typhoon Odette.

Other just and equitable reliefs are likewise prayed for.

Pasig City, 30 March 2022.


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