

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



**IN THE MATTER OF
THE APPLICATION FOR THE
APPROVAL OF EMERGENCY
CAPITAL EXPENDITURE
(CAPEX) PROJECTS 2015 -
2016 OF LEYTE V ELECTRIC
COOPERATIVE, INC. (LEYECO
V), WITH AUTHORITY TO
SECURE LOAN AND PRAYER
FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2016-004 RC

**LEYTE V ELECTRIC
COOPERATIVE, INC.
(LEYECO V),
Applicant.
x-----x**

D O C K E T E D
Date: JUN 30 2016
By: *[Signature]*

ORDER

On 14 January 2016, Leyte V Electric Cooperative, Inc. (LEYECO V) filed an Application for the approval of its Emergency Capital Expenditure (CAPEX) Projects for the years 2015 to 2016, with prayer for the issuance of provisional authority.

In support of said Application, LEYECO V alleged, among others, the following:

1. LEYECO V is a non-stock, non-profit Electric Cooperative duly organized and existing under and by virtue of the Presidential Decree 269, as amended, with capacity to sue and be sued, with principal office address at San Pablo, Ormoc City, Leyte where it may be served with summons and other legal processes, represented in this instance by

its General Manager, ENGR. JUANITO E. JORDA, JR., who is authorized to file this Application per Board Resolution No.125, series of 2015 dated 30 November 2015, copy of which is attached to the Application as “**Annex A**”;


2. LEYECO V is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the City of Ormoc and 11 municipalities in the 3rd & 4th Congressional Districts of Leyte Province. A copy of LEYECO V's Certificate of Franchise is attached as “**Annex B**” of the Application;

THE ANTECEDENT FACTS

3. Prior to this filing, Applicant's Capital Expenditure Projects under its 2011-2015 Distribution Development Plan (DDP) was approved by the Commission through its Decision dated 13 April 2015 under ERC Case No. 2011-136 RC;
4. The aforementioned ERC Decision has confirmed some of the CAPEX projects funded by NEA fund subsidy for Yolanda Recovery Rehabilitation Plan (YRRP), other proposed CAPEX projects were approved for acquisition and commissioning, and several projects were deferred;
5. This Application covers the items of CAPEX projects 2011-2015 that though deferred by the Commission, but due to present existing circumstances, are badly needed to be acquired and commissioned in the years 2015 to 2016, details of which are as follows:

Emergency CAPEX Projects 2015-2016:

PROJECT CODE	PROJECT DESCRIPTION	2015	2016	TOTAL
Network Projects (Substation Development Plan) (NP-SDP)				
NP-SDP-01	New 20M VA Ormoc Substation	18,900,000	23,000,303	41,900,303
	New 10 M VA Palompon Substation	13,200,000	28,334,303	41,534,303
NP-SDP-02	Construction of 69kV Line for the Proposed 10 M VA Palompon Substation	4,635,540	1,986,660	6,622,200
Non-Network Project (NNP)				
NNP-01	Accounting Computerization System	3,388,000		3,388,000

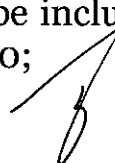


NNP-02	Reliability Analysis Software	240,000		240,000
NNP-03	Short Circuit Analysis Software	356,000		356,000
TOTAL PROJECT COST		40,719,540	53,321,266	94,040,806

LEGAL BASIS FOR THE APPLICATION


6. This emergency CAPEX Application is in compliance with Resolution No. 26, series of 2009, "A Resolution Amending the Rules for the Approval of Regulated Entities' Capital Expenditure Projects" adopted by the Commission pursuant to Section 43 of the Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and its Implementing Rules and Regulations, in relation to ERC Resolution No. 20, series of 2010, which categorically provides that all capital expenditure projects shall be submitted for approval of the Commission prior to their implementation;
7. The prayer seeking authority from the Commission to secure loan in order to finance the aforementioned Emergency CAPEX, is being filed pursuant to the power of ERC mandated under Section 20, par. (g) of the Commonwealth Act No. 146, known as The Public Service Law;

STATEMENT OF FACTS OF LEYECO V's DISTRIBUTION SYSTEM

8. LEYECO V's Distribution System was devastated by super typhoon Yolanda last 08 November 2013, but most of its facilities were already restored through the help of the NEA under its YRRP;
 9. On 13 April 2015, the Commission has authorized LEYECO V to proceed with the acquisition and implementation of some its proposed 2011-2015 CAPEX projects, re: reclosers; power capacitor; renovation of engineering building; procurement of service utility vehicles; procurement of hydraulic boom trucks; and procurement of tools and equipment. Other proposed 2011-2015 CAPEX projects were deferred and suggested to be included in the next CAPEX proposal for 2016-2020;
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10. At present, some households and establishments which were affected by super typhoon Yolanda, have re-applied for power connections with LEYECO V, consequently, power demands are rapidly increasing within the franchise area of LEYECO V. LEYECO V's System Energy (kWh) Sales Forecast in 2016 to 2028 is attached to the Application as "**Annex C**";
11. Recent assessment and evaluation of LEYECO V's existing loading and available substation capacity showed that its 20MVA Substation in Ormoc City is critically loaded up to 95.70% for year 2015. The situation of the power transformer is at the critical level, wherein at any time soon, it could be busted considering the growing demand in Ormoc City. Moreover, the Tabango Sub-station which has a present load of 66.17% will surely exceed the 70% loading criterion comes 2016;¹
12. To avoid power interruptions and accommodate rapidly increasing power demands from existing and new consumers, the aforementioned proposed Emergency CAPEX Network Projects are needed and must be implemented these years 2015-2016;
13. On the other hand, LEYECO V is presently encountering difficulties in restoring its computerization system, after the same was struck and destroyed by super typhoon Yolanda. Applicant is presently relying on its old and almost obsolete 1998 Manual Accounting System. Thus, the proposed procurement of Accounting Computerized System Software & Hardware;
14. LEYECO V has no reliable software that can be used to simulate its system performance. Manual assessment of its system's reliability was so tedious considering that LEYECO V's distribution line is composed of thousands of nodes. The proposed acquisition of 'Reliability Analysis Software' will enable the Applicant to accurately simulate its

¹ Substation Capacity Analysis attached as "**Annex D**" of the Application.



system's reliability performance and complies with its multi-year CAPEX Application within the timeline;

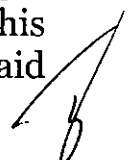
15. LEYECO V has no short circuit analysis software that can be used to simulate its system's safety performance. The proposed acquisition of 'Short Circuit Analysis Software' would enable the Applicant to accurately do simulation test and processes, and readily complies its multi-year CAPEX preparation;

URGENCY OF THE PROPOSED CAPEX 2015-2016 ACQUISITION

16. The request of LEYECO V for immediate acquisition and commissioning of aforementioned 'Emergency CAPEX Projects 2015-2016' is actually a remedial action/solution to avert impending busting of its Ormoc City Sub-Station due to overloading, which at present already exceeds the 70% capacity limit. If granted, it will avoid the overloading of LEYECO V's Palompon Sub-Station, and maintain compliance of performance standard criteria required under Philippine Distribution Code (PDC) and the safety standards of the Philippine Electrical Code (PDC);
17. The proposed Non-Network projects are equally urgent for acquisition and implementation in order that LEYECO V can improve its service efficiency and to accurately simulate its complicated Distribution System. The same are necessary in the preparation of LEYECO V's multi-year CAPEX projects and in periodic evaluation and analysis of its Distribution System;

INDICATIVE RATE IMPACT

18. LEYECO V has an existing Reinvestment Fund for Sustainable Capital Expenditure (RFSC) at a rate of P0.2904 per kWh. Computing the RFSC for the year 2015, the total revenue expected to be earned at 95% collection efficiency is PhP44,153,287.20. This revenue is not enough to finance the said



'Emergency CAPEX' requirement, more so that Applicant is still recovering from the devastation brought about by super typhoon Yolanda. However, proceeds of the RFSC starting year 2015 can be used in financing the annual loan amortization. The projected cash inflow for years 2015 to 2021 are as follows:

Simulation of RFSC Revenue Vs Debt Servicing							
Cash INFLOW	2015	2016	2017	2018	2019	2020	2021
RFSC	44,153,287.20	45,760,070.40	47,563,454.40	49,367,128.80	51,170,222.40	52,973,606.40	54,777,280.80
Sub Total	44,153,287.20	45,760,070.40	47,563,454.40	49,367,128.80	51,170,222.40	52,973,606.40	54,777,280.80
Collection Efficiency (%)	95%	97%	98%	99%	99%	99%	99%
Net Cash Flow	41,945,622.84	44,387,268.29	46,612,185.31	48,873,457.51	50,658,520.18	52,443,870.34	54,229,507.99
Cash OUTFLOW	2015	2016	2017	2018	2019	2020	2021
DEBT SERVICING							
Current	20,016,460.50	48,724,501.76	37,586,162.54	34,415,120.31	33,809,815.60	33,049,716.28	32,872,153.16
CAPEX 1	555,992.55	2,236,189.81	3,474,288.41	7,032,465.89	6,753,705.89	6,497,509.21	6,243,559.59
Others	293,727.99						
CAPEX 2			5,661,969.59	5,661,969.59	5,661,969.59	5,661,969.59	5,661,969.59
CAPEX 3				7,410,519.02	7,410,519.02	7,410,519.02	7,410,519.02
ERC Capex Approval Fees	305,396.55	399,909.49					
Sub Total	21,171,577.59	51,360,601.06	46,722,420.53	54,520,074.80	53,636,010.09	52,619,714.09	52,188,201.36
	0	20,774,045.25	(6,973,332.77)	(110,235.22)	(5,646,617.29)	(2,977,489.91)	(175,843.75)
Add: Previous years Balance		20,774,045.25	13,800,712.48	13,690,477.26	8,043,859.97	5,066,370.05	4,890,526.30
Accumulated balance		13,800,712.48	13,690,477.26	8,043,859.97	5,066,370.05	4,890,526.30	6,931,832.94

19. With an accumulated RFSC balance of Php 6.9M, the current RFSC of Php0.2904 is considered enough and sufficient to finance both the existing and forecasted loan payments. Thus, LEYECO V WILL NOT REQUEST additional RFSC for this proposal;

REQUEST FOR AUTHORITY TO SECURE LOAN

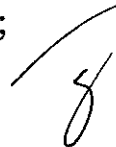
20. The total fund requirement for the 'Emergency CAPEX' 2015-2016 in the amount of **Ninety Four Million Forty Thousand Eight Hundred Six Peso (PHP94,040,806)** will be sought from financing program of NEA. LEYECO V has existing approved credit line with NEA and the aforementioned fund requirement was applied for loan at an interest rate of 6.5 % per annum, for a loan term period of ten (10) years with grace period

of one (1) year. The loanable amount will be released by NEA in two (2) tranches (2015 & 2016);

21. Considering the urgency of this matter, LEYECO V has already started the bidding of the above-listed equipment under 'Emergency CAPEX'. The land where the Sub-Station will be constructed was already negotiated and secured. Hence, LEYECO V requests the Commission to grant it authority to secure loan upon approval of this 'Emergency CAPEX Application' ('Authority to Secure Loan' marked as "**Annex M**" and supporting documents marked as "**Annexes N-W**");

**MOTION FOR ISSUANCE OF PROVISIONAL
AUTHORITY**

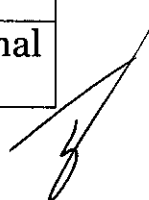
22. This Application is filed ahead of the regular CAPEX timeline, for the same is considered 'Emergency CAPEX' which must be implemented starting year 2015 and must be finished on year 2016, otherwise, LEYECO V Substations in Ormoc City and in Tabango will be overloaded. Further delay on the implementation of this line-up "Emergency CAPEX" will result to frequent power interruptions and non-accommodation of new consumers;
23. Applicant prays that while the instant Application is pending, it be granted a provisional authority to proceed in securing a loan for the acquisition and commissioning of the proposed 'Emergency CAPEX', pursuant to Rule 14, Section 3 of ERC Rules of Practice and Procedure;
24. In support to this request for provisional authority pending final approval of this Application, a judicial affidavit of LEYECO V's Planning & Energy Trading Division Head is attached and made integral part of this Application as "**Annex X**";



SUPPORTING DATA AND DOCUMENTS

25. In support of this Application, LEYECO V has submitted the following documents for ERC evaluation and are being made integral parts thereof, to wit:

ANNEX	NATURE OF DOCUMENT
A	Board Resolution No.125 series of 2015 dated November 30, 2015
B	A copy of LEYECO V's Certificate of Franchise
C	LEYECO V System Energy (kWh) Sales Forecast in 2015 to 2028
D	Substation Capacity Analysis
E	Palompon Substation Lot Justification
F	Accounting Computerization System Total Estimated Cost
G	Accounting Computerization Software Proposal
H	Reliability Analysis Software Proposal
I	Reliability Software Economic Analysis
J	Short Circuit Analysis Software Proposal
K	Short Circuit Analysis Software Economic Analysis
L	ERC Decision dated April 13, 2015 on LEYECO V CAPEX 2011-2015 under ERC Case no. 2011-136 RC
M	Authority to Secure Loan for Emergency CAPEX 2015-2016
N	Copy of Audited Financial Statement including notes for test year and prior 2 years, 2013 and 2014
O	Letter of Approval of Lending Institution from where loan is to be secured.
P	Details or Specification of the equipment projects and/or items to be purchased/built and their estimated cost to which the proceeds of the loan will be utilized.
Q	Bases/Reasonableness of the estimated cost per project/equipment
R	Amortization Schedule showing principal and interest payments of loan and the exchange rate at the time of payment
S	Detailed schedule of Utilization (Annual RF/MCC Utilization – Test year and prior 2 years)
T	Computation of indicative rate impact of the projects
U	Computation of Financial Ratios (test year and projected years of payment of loans)
V	Justification, study, computation and benefits resulting from securing loans
W	NEA Loan Profile 2014 to present
X	Judicial Affidavit in support of the prayer for Provisional Authority



COMPLIANCE WITH PRE-FILING REQUIREMENTS

26. LEYECO V has complied with pre-filing requirements mandated under Rule 3, Section 4 (e) of the Implementing Rules and Regulations of the EPIRA, and as required in Section 2, Rule 6, of ERC Rules of Practice and Procedure, by furnishing copies of the Application, together with its supporting annexes, to the Sangguniang Bayans of 11 municipalities in 3rd and 4th Congressional Districts of the Province of Leyte, in Sangguniang Panlungsod of Ormoc City, and in Sangguniang Panlalawigan of Province of Leyte. It likewise published the Application in its entirety in a newspaper of general circulation in the Province of Leyte, where the franchise area of Applicant LEYECO V is located. Proof of pre-filing compliance are attached as “**Annex Y - onwards**” and made as integral part of the Application.

PRAYER

27. LEYECO V prays that, pending evaluation and hearing, the Commission provisionally approves authorizing it to secure loan from NEA of the needed funding for the immediate implementation of identified EMERGENCY CAPEX and that after due notice and hearing, this Application be approved.

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 hearing for the determination of compliance with jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **09 August 2016 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at LEYECO V's Main Office, San Pablo, Ormoc City, Leyte.**

LEYECO V is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at their own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. LEYECO V is also directed to inform its customers within its



franchise area, by any other means available and appropriate, of the filing of the Application, the reasons therefor, and of the scheduled hearing thereon.

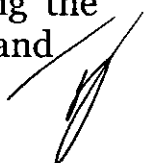
Let copies of the Application, this Order, and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of Governor of the Province Leyte, as well as the Mayors and Local Government Legislative Bodies within LEYECO V's franchise area for the appropriate posting thereof on their respective bulletin boards.

LEYECO V is hereby directed to furnish all those making requests therefor with copies of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, LEYECO V must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and Local Government Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published, together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

LEYECO V, and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- (a) A summary of admitted facts and proposed stipulation of facts;
 - (b) The issues to be tried or resolved;
 - (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- 

- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of LEYECO V to submit the required Pre-trial Brief and Judicial Affidavits of their witnesses 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 said date of cancellation.

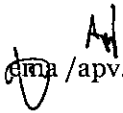
As part of the pre-trial conference, LEYECO V must also be prepared to make an expository presentation of their Application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

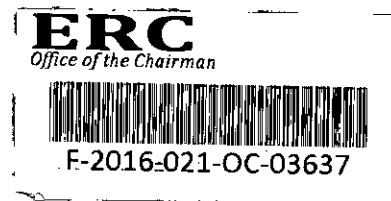
SO ORDERED.

Pasig City, 21 June 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

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Copy furnished:

1. Atty. Rogelio Gula
Counsel for LEYECO V
2/F, Cabigon Bldg., Sen. Enage St.
6500 Tacloban City, Leyte
2. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village , Makati City
3. Commission on Audit
Commonwealth Ave., Quezon City
4. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
5. The Committee on Energy
House of Representatives
Batasan Hills, Quezon City
6. Office of the City Mayor
Ormoc City
7. Office of the Sangguniang Panglungsod
Ormoc City
8. Office of the Municipal Mayor
Isabel, Leyte
9. Office of the Sangguniang Bayan
Isabel, Leyte
10. Office of the Municipal Mayor
Merida, Leyte
11. Office of the Sangguniang Bayan
Merida, Leyte
12. Office of the Municipal Mayor
Palompon, Leyte
13. Office of the Sangguniang Bayan
Palompon, Leyte
14. Office of the Municipal Mayor
Tabango, Leyte
15. Office of the Sangguniang Bayan
Tabango, Leyte
16. Office of the Municipal Mayor
Calubian, Leyte
17. Office of the Sangguniang Bayan
Calubian, Leyte
18. Office of the Municipal Mayor
San Isidro, Leyte
19. Office of the Sangguniang Bayan
San Isidro, Leyte



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20. Office of the Municipal Mayor
Leyte-Leyte, Leyte
21. Office of the Sangguniang Bayan
Leyte-Leyte, Leyte
22. Office of the Municipal Mayor
Kananga, Leyte
23. Office of the Sangguniang Bayan
Kananga, Leyte
24. Office of the Municipal Mayor
Matag-ob, Leyte
25. Office of the Sangguniang Bayan
Matag-ob, Leyte
26. Office of the Municipal Mayor
Albuera, Leyte
27. Office of the Sangguniang Bayan
Albuera, Leyte
28. Office of the Municipal Mayor
Villaba, Leyte
29. Office of the Sangguniang Bayan
Villaba, Leyte
30. Office of the Provincial Governor
Province of Leyte
31. National Grid Corporation of the Philippines (NGCP)
Quezon Avenue corner BIR Road, Diliman, Quezon City

