

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



**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF FORCE
MAJEURE EVENT CAPITAL
EXPENDITURE PROJECT,
RE: REPAIR,
RESTORATION,
REPLACEMENT AND/OR
REHABILITATION OF
DISTRIBUTION LINES,
BUILDINGS, FACILITIES
AND EQUIPMENT
DAMAGED BY TYPHOON
NONA, WITH
APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE
NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA),**

ERC CASE NO. 2016-187 RC

**SORSOGON I ELECTRIC
COOPERATIVE, INC.
(SORECO I),**

Applicant.

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DOCKETED
Date: APR 04 2018
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 17 November 2016, Sorsogon I Electric Cooperative, Inc. (SORECO) filed an *Application* dated 20 July 2016 (*Application*) seeking the Commission's approval of force majeure event capital expenditure project, re: repair, restoration, replacement and/or rehabilitation of distribution lines, buildings, facilities and equipment damaged by typhoon Nona, with application for authority to secure loan from the National Electrification Administration (NEA).

SORECO I alleged the following in its *Application*:

THE APPLICANT

1. SORECO I 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 Gulang-Gulang, Irosin, Sorsogon;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in certain municipalities of the Province of Sorsogon, namely: Bulusan, Bulan, Casiguran, Irosin, Juban, Magallanes, Matnog and Sta. Magdalena.

LEGAL BASIS FOR THE APPLICATION

3. This application is being filed pursuant to Section 3.3 of ERC Resolution No. 26 Series of 2009, which provides that if a Force Majeure or Fortuitous Event, as the case may be, occurs, the regulated entity shall seek the ERC's confirmation of the implementation of capital expenditure projects arising from such event.

THE FORCE MAJEURE EVENT
(Typhoon NONA)

4. On December 14, 2015, at around 11:00 A.M., the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAGASA) confirmed that Typhoon Nona with international name Melor, made its first landfall in Batag, Northern Samar, and that it will continue westward and is expected to make a second landfall in Sorsogon later in the afternoon.
5. At around 4:00 P.M., PAGASA declared that the typhoon hit Bulusan, Sorsogon, within the service area of SORECO I, with packed maximum sustained winds of 126 kph near the center and gustiness of up to 135 kph bringing heavy to at times intense rainfall within the typhoon's 300-km diameter, ravaging the whole of SORECO I's coverage area.
6. The storm left extensive damage to SORECO I's distribution lines, distribution transformers, hardwares and accessories, service dropwires, kilowatt-hour meters, buildings, facilities and equipment.

DESCRIPTION OF THE PROJECT

7. The force majeure event capital expenditure project consists of the repair, restoration, replacement and/or rehabilitation of the cooperative's distribution lines, distribution transformers, hardwares and accessories, service dropwires,

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kilowatt-hour meters, buildings and equipment damaged by Typhoon Nona.

ESTIMATED PROJECT COST

8. The estimated total cost of the projects is One Hundred Twenty Million Eight Hundred Sixty Four Thousand Seven Hundred Eleven and 52/100 (PhP120,864,711.52).

PROJECT SCHEDULE

9. Repair and restoration works were immediately undertaken after the typhoon left the country and still on-going up to this time.

JUSTIFICATIONS OR BENEFITS TO BE DELIVERED

10. The project will ensure power restoration in the entire coverage area of SORECO I and delivery of more reliable and efficient service to its consumers. It is also intended to restore the safety and protection of the cooperative's entire distribution system.

PROJECT FINANCING PLAN

11. The total estimated cost of the project is presently being sourced through a calamity loan from the National Electrification Administration (NEA). It will be converted into a subsidy in the event the National Government grants subsidy to the typhoon-ravaged electric cooperatives.

INDICATIVE RATE IMPACT

12. In the event that the funding for the restoration and rehabilitation works which is presently being sourced through a calamity loan from NEA is not converted into a subsidy from the government, the loan shall have an indicative rate impact to SORECO I's consumers, derived from the total project cost against the forecasted kWh sales for ten (10) years of implementation, as follows:

	2016	2017	2018	2019	2020	2021
Forecasted energy sales, kWh	44,402,525.00	47,989,409.50	51,157,547.50	54,393,207.00	57,686,607.50	61,030,769.70
Cash balance beginning, PHP, excess (shortfall)	4,246,682.99	10,390,694.92	(10,738,429.74)	(33,338,853.04)	(57,206,393.46)	(79,755,256.32)
CASH INFLOWS						
current year collection @PhPo.4004/kWh	17,778,771.01	19,214,959.56	20,483,482.02	21,779,040.08	23,097,717.64	24,436,720.19
Loan Proceeds from financial institution/ NEA (Force Majeure Capex), PhP (@ 3.25% interest rate)	120,864,711.52					

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50% of income on leased properties, PhP	531,447.20	531,447.20	531,447.20	531,447.20	531,447.20	531,447.20
Total Cash Inflows, PhP	139,174,929.73	19,746,406.76	21,014,929.22	22,310,487.28	23,629,164.84	24,968,167.39
Available cash for disbursement	143,421,612.72	30,137,101.68	10,276,499.47	(11,028,365.76)	(33,577,228.61)	(54,787,088.93)
CASH OUTFLOWS						
CAPEX requirement	120,864,711.52					
amortization of Capex for force majeure (if not become a subsidy)	3,666,750.67	14,667,002.69	14,667,002.69	14,667,002.69	14,667,002.69	14,667,002.69
amortization of Approved Capex	3,862,725.97	21,145,384.40	24,791,690.83	27,354,366.02	27,354,366.02	27,354,366.02
amortization of old debts	4,387,279.64	4,156,659.00	4,156,659.00	4,156,659.00	4,156,659.00	4,156,659.00
ERC Permit Fee, PhP	249,450.00	906,485.34				
Total Cash Outflows, PhP	133,030,917.80	40,875,531.43	43,615,352.51	46,178,027.70	46,178,027.70	46,178,027.70
Cash balance ending, PhP, excess/(shortfall)	10,390,694.92	(10,738,429.74)	(33,338,853.04)	(57,206,393.46)	(79,755,256.32)	(21,741,307.51)
Excess/(shortfall) on RFSC, PhP/kWh	0.2340	(0.2238)	(0.6517)	(1.0517)	(1.3826)	(0.3562)

	2022	2023	2024	2025	TOTAL
Forecasted energy sales, kWh	64,420,736.10	67,853,030.20	71,325,275.90	74,835,749.80	595,094,858.20
Cash balance beginning, PHP, excess (shortfall)	(21,741,307.51)	(20,383,964.97)	(18,710,255.41)	(13,462,728.23)	4,246,682.99
CASH INFLOWS					
current year collection @PhPo.400 4/kWh	25,794,062.73	27,168,353.29	28,558,640.47	29,964,234.22	238,275,981.22
Loan Proceeds from financial institution/ NEA (Force Majeure Capex), PhP (@ 3.25% interest rate)					120,864,711.52
50% of income on leased properties, PhP	531,447.20	531,447.20	531,447.20	531,447.20	5,314,472.00
Total Cash Inflows, PhP	26,325,509.93	27,699,800.49	29,090,087.67	30,495,681.42	364,455,164.74
Available cash for disbursement	4,584,202.42	7,315,835.52	10,379,832.26	17,032,953.19	368,701,847.73
CASH OUTFLOWS					
CAPEX requirement					120,864,711.52
amortization of Capex for force majeure (if not become a	14,667,002.69	14,667,002.69	14,667,002.69	14,667,002.69	135,669,774.84

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subsidy)					
amortization of Approved Capex	27,354,366.02	27,354,366.02	27,354,366.02	27,354,366.02	241,280,363.31
amortization of old debts	4,156,659.00	3,857,240.00			33,184,473.64
ERC Permit Fee, PhP					1,155,935.34
Total Cash Outflows, PhP	46,178,027.70	45,878,608.70	42,021,368.70	42,021,368.70	532,155,258.65
Cash balance ending, PhP, excess/(shortfall)	(20,383,964.97)	(18,710,255.41)	(13,462,728.23)	(12,057,134.48)	(12,057,134.48)
Excess/(shortfall) on RFSC, PhP/kWh	(0.3164)	(0.2757)	(0.1888)	(0.1611)	(0.0203)

APPLICATION FOR AUTHORITY TO SECURE LOAN FROM NEA

13. In the event that the funding being sourced from NEA is finally treated as a calamity loan, the cooperative likewise applies with the Honorable Commission for authority to secure said loan and to recover the cost thereof from its consumers.

SUBMISSIONS

14. Finally, in support of the application, SORECO I is submitting herewith the following documents which are being made integral parts hereof, as follows:

Annex	Nature of Document
A	Notice of Force Majeure Event
B	Executive Summary of the Force Majeure Event Capital Expenditure Project
C	Request for Extension of Filing of Application
D	Supporting documents for the application for authority to secure loan from NEA
E to E-1	Proof of furnishing copies of the Application to the Sangguniang Pambayan of Irosin and the Sangguniang Panlalawigan of Sorsogon
F to F-2	Publication of the Application in a newspaper of general circulation within SORECO I's franchise area or where it principally operates, with Affidavit of Publication.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that:

1. After due notice and hearing, the repair, restoration, replacement and/or rehabilitation works undertaken on SORECO I's distribution lines, distribution transformers, hardwares and accessories, service dropwires, kilowatt-hour

meters, buildings and equipment ravaged by Typhoon NONA on December 14, 2015, be confirmed and approved; and

2. In the event that the funding for the project being sourced from the National Electrification Administration (NEA) be treated as a calamity loan, SORECO I be granted an authority to secure said loan, and that the cooperative be allowed to recover the cost thereof from its consumers.

Other reliefs, just and equitable in the premises, are likewise prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **07 June 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.), at SORECO I's principal office at Gulang-gulang, Irosin, Sorsogon.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;

- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 15th day of March 2018 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: KJP/LST/APV