

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



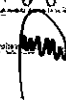
**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
CAPITAL PROJECTS FOR
THE YEAR 2015 TO 2017
AND AUTHORITY TO
SECURE LOAN FROM
OTHER FINANCIAL
INSTITUTION,**

ERC CASE NO. 2018-021 RC

**PANGASINAN III ELECTRIC
COOPERATIVE, INC.
(PANELCO III),**

Applicant.

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DOCKETED
Date: JUL 06 2018
By: 

ORDER

On 19 April 2018, Pangasinan III Electric Cooperative, Inc. (PANELCO III) filed an *Application* dated 13 March 2018 (Application) for the approval of its proposed Capital Projects for the year 2015 to 2017 and authority to secure loan from other financial institution.

PANELCO III alleged the following in its *Application*:

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution services in the sixteen (16) municipalities, namely the Municipality of Asingan, Balungao, Binalonan, Laoac, Mapandan, Natividad, Pozorrubio, Rosales, San Manuel, San Nicolas, San Quintin, Sta. Maria, Sto. Tomas, Tayug, Umingan, Villasis; One (1) city namely; Urdaneta City and Barangay Inamotan of Manaoag in the Province of Pangasinan;

3. That pursuant to ERC Resolution No. 26 Series of 2009, and in accordance with Section 3.5 and other provision of Article III of the Amended Rules for the Approval of Regulated Entities Capital Expenditures Projects; and likewise in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of its Three-year Capital Expenditure projects for the years 2015 to 2017, due to the deteriorating condition of old equipment and to acquire various additional equipment to augment old ones, as follows:

A. Proposed Network Projects

	Project Title	Project Type	2015	2016	2017	Total Cost
1	Replacement of Protection from Power Fuse to Gas Circuit Breaker	Safety			16,370,556.00	16,370,556.00
2	Replacement of 13.8KV Outdoor Oil Circuit Breaker	Safety			4,000,000.00	4,000,000.00
3	Replace the existing 5MVA power transformer to 15-MVA power transformer and its switchgear equipment	Capacity		45,672,120.00		45,672,120.00
4	Re-Routing / Relocation of Distribution Lines and Facilities affected by DPWH Projects	Safety		792,379.85	11,677,345.83	12,469,725.68
5	Rehabilitation of 3-Phase line along Urdaneta-Asingan Provincial Road	Safety		1,715,422.28	5,469,738.07	7,185,160.35
6	Construction of 3-Phase line from Pinmaludpod to Cabaruan, Urdaneta City	Capacity			5,212,314.09	5,212,314.09
7	Installation of Feeder Voltage Regulator at Tayug II Substation	Power Quality			9,055,325.00	9,055,325.00
	Sub-Total			48,179,922.13	51,785,279.99	99,965,201.12

B. Proposed Other Network Projects

	Project Title	Project Type	2015	2016	2017	Total Cost
8	Replacement of Defective Meters	Safety	13,142,702.00	11,966,598.00	12,099,300.00	37,208,600.00
9	Procurement of Distribution Transformers of different ratings	Capacity	16,562,003.08	11,329,280.28	14,201,519.18	42,092,802.54
10	Procurement of Materials for New Connection	Capacity	19,242,487.50	21,102,027.00	18,867,855.00	59,212,369.50
11	Procurement of Materials for Buffer Stocks	Reliability	1,697,103.75	1,696,681.50	1,702,668.65	5,096,453.90
Sub - Total			50,644,296.33	46,094,586.78	46,871,342.83	143,610,225.94

C. Proposed Non-Network Projects

	Project Title	Project Type	2015	2016	2017	Total Cost
12	Structures and Improvements	Service efficiency	439,462.50	171,684.87	10,190,000.00	10,801,147.37
13	Vehicle and Service Maintenance Improvement	Service efficiency		5,498,768.57	24,984,799.48	30,483,568.05
14	IT Logistical, Communication and Office Furniture Improvement	Service efficiency	2,973,266.48	2,710,043.65	4,642,466.00	10,325,776.13
15	Enhancement of System Software Program	Service efficiency	7,317,938.12	2,133,299.20		9,451,237.32
16	Purchase of Various Tools and Equipment	Service efficiency	2,302,330.80	598,995.00	798,750.00	3,700,075.80
Sub-Total			13,032,997.90	11,112,791.29	40,616,015.48	64,761,804.67
Description			2015	2016	2017	TOTAL
Total CAPEX Projects			P63,677,294.23	P105,387,300.20	P139,272,637.30	P308,337,231.73

4. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submits the following documents, as follows:

- Historical and Forecast Planning Data
- Technical and Engineering Analysis
- Project Financial and Economic Cost Benefit Analysis
- Project Cost Estimates
- Project Descriptions and System Study of The Projects
- Proposed GANTT CHART Schedule
- System Map
- Single Line Diagram of the System
- Board Resolution approving the Proposed Projects
- Sworn Statement

PROJECT DESCRIPTION

5. These CAPEX PROJECTS are also part of its E-ICPM and Distribution Development Plan, applicant intends to request for the approval of the proposed Capital Expenditures Project for the year 2015-2017 due to the deteriorating condition of old equipment; and further intend to purchase new ones to augment and/or replace the old equipment and line materials;
6. The components of this Capital Expenditures Project is a continuation of the expansion, rehabilitation and upgrading of various facilities of the electric cooperative for sustainable growth and development in order to render a more reliable and efficient service to all its customers in all its area coverage.

BENEFITS

7. It aims to further enhance the reliability programs geared towards the delivery of a more efficient and satisfying electric service to its member consumers.

FINANCING PLAN & RATE IMPACT

8. Funding for the acquisition and purchase of technical and non-technical capital expenditures will be taken from the approved Php0.2904/kwh Member's Contribution for Capital Expenditures or the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) based on the projected load growth (conservatively computed based on simulated normal growth rate) of the cooperative.

A. ANNUAL COST

SOURCE OF FUNDS	TOTAL COST FINANCED	2015	2016	2017
RFSC	300,183,560.00	63,677,294.00	105,387,300.00	131,118,965.00
Banking Institution				
Rural Electrification Financing Corporation	8,153,672.00			8,153,672.00
Grand Total	308,337,232.00	63,677,294.00	105,387,300.00	139,272,637.00

B. ANNUAL AMORTIZATION/FINANCIAL REQUIREMENTS

SOURCE OF FUNDS	TOTAL COST FINANCED	2015	2016	2017	REMARKS
RFSC	300,183,560.00	63,677,294.00	105,387,300.00	131,118,965.00	300,138,302.00
Banking Institution	-	-	-	-	5.5% Interest Rate
Rural Electrification Financing Corporation	8,153,672.00			P8,153,672.00	6.00% Interest Rates
RFSC	308,337,232.00	63,677,294.00	105,387,300.00	139,272,637.00	
CAPEX Approval Fee	2,002,894.00	474,284.00	747,876.00	780,734.00	Filing fee (Payable to ERC)
TOTAL	310,340,126.00	64,151,578.00	106,135,177.00	140,053,371.00	

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C. REVENUE FROM ERC APPROVED MCC

SOURCE OF FUNDS	TOTAL	2015	2016	2017
Actual KWHR Sales	960,511,196.00	283,106,193.00	325,971,532	351,433,471.00
RFSC rate per KWHR as per ERC approved	0.2904	0.2904	0.2904	0.2904
Revenue from RFSC	278,932,451.00	82,214,038.00	94,662,133	102,056,280.00

D. CASH FLOW

	TOTAL	2015	2016	2017
Revenue from RFSC	278,932,451.00	82,214,038.00	94,662,133.00	102,056,280.00
CAPEX Plan (Internal Financing /RFSC)	300,183,560.00	63,677,294.00	105,387,300.00	131,118,965.00
CAPEX Plan Amortization	8,153,672.00	-	-	8,153,672.00
CAPEX Approval Fee	2,002,554.00	474,284.00	747,876.00	780,394.00
Sub-total CAPEX Plan Cost	310,340,126.00	64,151,578.00	106,135,177.00	140,053,371.00
Previous Loan Amortization	30,051,076.89	18,715,420.00	13,989,493.00	16,061,583.41
Total CAPEX Cost	340,391,202.00	82,866,998.00	120,124,670.00	156,114,954.00
Net Cash Flow	(61,458,751.00)	(652,959.00)	(25,462,537.00)	(54,058,674.00)
ADD: Cash Balance Beg. PHP, Excess/(Shortfall)		74,940,187.00	74,287,228.00	48,824,691.00
Cash Balance Ending, PHP, Excess/(Shortfall)		74,287,228.00	48,824,691.00	(5,233,984.00)

E. RATE IMPACT ANALYSIS

Indicative Rate Impact of the Project (6 YEARS)

	2015	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales, kWh	283,106,193	325,971,532	351,433,471	376,026,000	405,306,000	436,809,000	2,178,652,196.40
Cash balance beginning, PhP, excess/(shortfall)	74,940,187.07	77,074,819.24	54,157,763.91	3,413,592.90	106,765,615.71	213,176,048.75	74,940,187.07
CASH INFLOWS							
current year collection @PhPO.2904/kWh	82,214,038.45	94,662,132.98	102,056,280.01	109,197,950.40	117,700,862.40	126,849,333.60	632,680,597.83
loan proceeds from financial institutions, PhP	-	-	-	6,973,152.00			6,973,152.00
government subsidy (if any), PhP	-	-	-				-
50% of income on leased properties	2,787,591.43	2,545,481.72	3,314,503.49	-	-	-	8,647,576.64
Total Cash Inflow s, PhP	85,001,629.88	97,207,614.70	105,370,783.50	116,171,102.40	117,700,862.40	126,849,333.60	648,301,326.47
Available cash for disbursement	159,941,816.94	174,282,433.94	159,528,547.40	119,584,695.30	224,466,478.11	340,025,382.35	723,241,513.54
CASH OUTFLOWS							
CAPEX requirement	63,677,294.23	105,387,300.20	139,272,637.30	-	-	-	308,337,231.73
old debt (old amortization)	18,715,419.74	13,989,493.48	16,061,583.41	11,201,347.60	9,672,697.36	9,235,402.36	78,875,943.95
new amortization (new CAPEX), PhP	-	-	-	1,617,732.00	1,617,732.00	1,617,732.00	-
ERC Permit Fee, PhP	474,283.74	747,876.35	780,733.78	-	-	-	2,002,893.87
Total Cash Outflow s, PhP	82,866,997.71	120,124,670.03	156,114,954.50	12,819,079.60	11,290,429.36	10,853,134.36	389,216,069.55
Cash balance ending, PhP, excess/(shortfall)	77,074,819.24	54,157,763.91	3,413,592.90	106,765,615.71	213,176,048.75	329,172,247.99	329,172,247.99
Excess/(shortfall) on RFSC, PhP/kWh	0.2722	0.1661	0.0097	0.2839	0.5260	0.7536	0.1511

**COMPLIANCE WITH PRE-FILING
AND OTHER DOCUMENTARY REQUIREMENTS**

9. Finally, in compliance with the pre-filing and other documentary requirements under the ERC Rules of Practice and as well as ERC Resolution 26, Series of 2009, PANELCO III is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex No.	Nature of Document
A	PANELCO III Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents.
B	Proof of Furnishing copies of the application to the Sanguniang Panlungsod of Urdaneta City and Sanguniang Panlalawigan of Pangasinan
C	Publication of the Application in a newspaper of general circulation within PANELCO III franchise area

PRAYER

WHEREFORE, premises considered, it is respectfully prayed to the Honorable Commission to render a decision approving the following:

Proposed Capital Project in the total amount of Php308,337,237.73;

In view of the need to immediately implement the various projects which are necessary to replace the old equipment and to acquire new or additional materials and equipment.

Other relief/s just and equitable in the premises are likewise prayed for.

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **06 September 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at PANELCO III's principal office at Brgy. Nancayasan, Urdaneta City, Pangasinan.**

Accordingly, PANELCO III is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last

publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, 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; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicants and all interested parties are also required 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:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements 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 the said date of cancellation.

PANELCO III must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it 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, 04 July 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner

Copy Furnished:

1. Atty. Zenon S. Suarez
Counsel for the PANELCO III
Rm.506 Web-Jet Bldg. 64 Quezon Ave.,
Cor. BMA St., Quezon City
2. Engr. Allan G. Casem
General Manager
PANELCO III
Brgy. Nancayasan, Urdaneta City, Pangasinan.
3. The Office of the Solicitor General
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
4. The Commission on Audit
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
5. The Committee on Energy
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. The Committee on Energy
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. Office of the President of PCCI
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the Mayor
Asingan, Pangasinan
9. Office of the Local Government Legislative Body
Asingan, Pangasinan
10. Office of the Mayor
Balungao, Pangasinan
11. Office of the Local Government Legislative Body
Balungao, Pangasinan
12. Office of the Mayor
Binalonan, Pangasinan
13. Office of the Local Government Legislative Body
Binalonan, Pangasinan
14. Office of the Mayor
Laoac, Pangasinan

15. Office of the Local Government Legislative Body
Laoac, Pangasinan
16. Office of the Mayor
Mapandan, Pangasinan
17. Office of the Local Government Legislative Body
Mapandan, Pangasinan
18. Office of the Mayor
Natividad, Pangasinan
19. Office of the Local Government Legislative Body
Natividad, Pangasinan
20. Office of the Mayor
Pozorrubio, Pangasinan
21. Office of the Local Government Legislative Body
Pozorrubio, Pangasinan
22. Office of the Mayor
Rosales, Pangasinan
23. Office of the Local Government Legislative Body
Rosales, Pangasinan
24. Office of the Mayor
San Manuel, Pangasinan
25. Office of the Local Government Legislative Body
San Manuel, Pangasinan
26. Office of the Mayor
San Nicolas, Pangasinan
27. Office of the Local Government Legislative Body
San Nicolas, Pangasinan
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San Quintin, Pangasinan
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San Quintin, Pangasinan
30. Office of the Mayor
Sta. Maria, Pangasinan
31. Office of the Local Government Legislative Body
Sta. Maria, Pangasinan
32. Office of the Mayor
Sto. Tomas, Pangasinan

33. Office of the Local Government Legislative Body
Sto. Tomas, Pangasinan
34. Office of the Mayor
Tayug, Pangasinan
35. Office of the Local Government Legislative Body
Tayug, Pangasinan
36. Office of the Mayor
Umingan, Pangasinan
37. Office of the Local Government Legislative Body
Umingan, Pangasinan
38. Office of the Mayor
Villasis, Pangasinan
39. Office of the Local Government Legislative Body
Villasis, Pangasinan
40. Office of the Mayor
Urdaneta City, Pangasinan
41. Office of the Local Government Legislative Body
Urdaneta City, Pangasinan
42. Office of the Mayor
Manaoag, Pangasinan
43. Office of the Local Government Legislative Body
Manaoag, Pangasinan
44. Office of the Governor
Province of Pangasinan
45. Office of the Local Government Legislative Body
Province of Pangasinan
46. Regulatory Operations Service (ROS)
Energy Regulatory Commission