

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
PROPOSED ELECTRIC
CAPITAL EXPENDITURE
PROJECTS FOR THE
YEAR 2019 TO 2021 AND
AUTHORITY TO SECURE
LOAN FROM NEA, WITH
PRAYER FOR
PROVISIONAL
AUTHORITY**

ERC CASE NO. 2018-024 RC

**AURORA ELECTRIC
COOPERATIVE, INC.
(AURELCO),**

Applicant.

X-----X

D O C K E T E D
Date: Jul 06 2018
By: [Signature]

ORDER

On 26 April 2018, Aurora Electric Cooperative, Inc. (AURELCO) filed an *Application* dated 05 April 2018, seeking the approval of the proposed electric capital expenditure projects for the year 2019 to 2021 and authority to secure loan from NEA, with prayer for provisional authority.

AURELCO alleged the following in its *Application*:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Brgy. Reserva, Baler, Aurora where it may be served with summons and other legal processes, represented in this instance by its General Manager, **Noel DV. Vedad** of legal age, Filipino, married and with office address also at Brgy. Reserva, Baler, Aurora ;
2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the (8) municipalities of the province of Aurora, namely the municipality of Baler, San Luis, Ma. Aurora, Dipaculao, Casiguran, Dinalungan, Dilasag and

Dingalan. Also serving the municipality of Dinapigue in the province of Isabela, Alfonso Castañeda in the province of Nueva Vizcaya and Brgy. Umiray, General Nakar, Quezon province;

3. That the applicant AURELCO consumer profile showed that of the total 47,609 consumers; 43,621 are residential, 3,984 Low Voltage and 4 Higher Voltage customers;
4. That the applicant AURELCO's energy demand reached approximately 45,161,612 kWhr at the end of 2017 and forecast estimates indicate that the applicant will have an average energy demand growth rate of 8.94% from 2018-2021. It is expected that the energy demand will reach as high as 72,062,989 kWhr at the year 2021;
5. That AURELCO gets the bulk of power for distribution to its coverage area through the transmission system facilities operated and maintained by the National Grid Corporation of the Philippines (NGCP) which derived its power from Masinloc Power Partners Company, Ltd (MPPCL);
6. That applicant has identified ten (10) projects, classified according to the projects that intends to address load growth, projects that intends to reduce system losses, projects than intends to improve system reliability, efficiency and power quality and more importantly for safety. The following are the proposed projects for implementation upon economic and financial feasibility:

**SUMMARY OF THE PROPOSED CAPITAL PROJECTS
(2019-2021)**

No	Project Name	Project Type	Proposed Project Cost (Php)			Total(Php)
			2019	2020	2021	
Primary Distribution Development Projects						
01	Replacement of Rotten Poles and Crossarms	Safety	3,040,700.00	2,274,000.00	2,329,000.00	7,643,700.00
02	Replacement of overloaded/busted Distribution transformers/ transformer load management	Capacity	4,013,000.00	5,499,400.00	5,656,200.00	15,168,600.00
03	Replacement of Deteriorated line hardwares materials and conductor	Reliability	5,672,059.95	5,672,059.95	5,672,059.95	17,016,179.85
04	Meter clustering	System Loss	11,365,955.96	11,207,455.96	11,048,955.96	33,622,367.88
05	Buffer stock	Reliability	16,294,175.00	16,294,175.00	16,294,175.00	48,882,525.00
Other Network Development Projects						
06	New kWhourmeters and Service drop wires for service dropping(New Customers)	Load Growth	5,625,728.00	5,515,192.00	5,393,872.00	16,534,792.00

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07	New kWhourmeter for Change meter	System Loss	2,945,000.00	2,945,000.00	2,945,000.00	8,835,000.00
Non-Network Development Projects						
08	Lineman tools/safety gadgets	Safety	1,600,800.00	1,227,600.00	1,255,900.00	4,084,300.00
09	Construction of Multi-purpose Building in Main Office	Land Right & Building Structure	15,000,000.00			15,000,000.00
10	Logistics	Reliability and Efficiency	19,180,000.00	18,280,000.00	8,880,000.00	46,340,000.00
TOTAL			84,737,418.91	68,914,882.91	59,475,162.91	213,127,464.73

7. That as a result of the said project, the cooperative has calculated the indicative rate impact as follows:

Indicative Rate Impact of the Project					
	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	49,681,805	54,190,146	58,715,512	63,253,260	225,840,723.00
Cash balance beginning, PhP, excess/(shortfall)	28,279,117.00	995,887.16	(74,175,925.70)	(143,155,571.68)	28,279,117.00
CASH INFLOWS					
current year collection @PhPo.5324/kWh	26,450,592.98	28,850,833.73	31,260,138.59	33,676,035.62	120,237,600.93
loan proceeds from financial institutions, PhP	470,864,524.33	61,840,130.96	45,781,630.96	36,223,130.96	614,709,417.21
government subsidy (if any), PhP					
50% of income on leased properties	166,230.00	166,230.00	166,230.00	166,230.00	664,920.00
Total Cash Inflows, PhP	497,481,347.31	90,857,194.69	77,207,999.55	70,065,396.58	735,611,938.14
Available cash for disbursement	525,760,464.31	91,853,081.85	3,032,073.85	(73,090,175.10)	763,891,055.14
CASH OUTFLOWS					
CAPEX requirement	483,920,797.17	84,737,418.91	68,914,882.91	59,475,162.91	697,048,261.90
old debt (old amortization)	15,957,800.00	15,408,142.00	13,212,017.00	7,720,808.00	52,298,767.00
new amortization (new CAPEX), PhP(2014-2018)	21,256,574.00	58,690,948.00	58,690,948.00	58,690,948.00	197,329,418.00
new amortization (new CAPEX), PhP(2019-2021)		6,556,968.00	4,852,936.00	3,839,716.00	15,249,620.00
ERC Permit Fee, PhP	3,629,405.98	635,530.64	516,861.62	446,063.72	5,227,861.97

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Total Cash Outflows, PhP	524,764,577.15	166,029,007.55	146,187,645.53	130,172,698.63	967,153,928.87
Cash balance ending, PhP, excess/(shortfall)	995,887.16	(74,175,925.70)	(143,155,571.68)	(203,262,873.73)	(203,262,873.73)
Excess/(shortfall) on RFSC, PhP/kWh	0.0200	(1.3688)	(2.4381)	(3.2135)	(0.9000)
reinvestment fund rate	0.5324				
lease properties annual income	332,460				

8. That as part of its Distribution Development Plan, applicant AURELCO intends to apply for approval of the above mentioned Capital Expenditure Projects for 2019-2021;
9. That the above project will be implemented on a staggered basis starting 2019 to 2021 and financing of the said projects will be taken from NEA loan and the Applicant's Reinvestment Fund;
10. That the Applicant will request to secure a Php. 143,844,892.88 loan from National Electrification Administration (NEA);
11. That the proposed projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC) and other relevant government issuances, and in accordance with ERC Resolution on capital projects;
12. For purposes of and in connection with this application, AURELCO hereby submit the following documents in compliance with the requirements pertinent hereto:
 - a. Description of the Project; Justification and Impact study on the System and; Option/Alternatives considered in lieu of the proposed project;
 - b. Project Financing Plan
 - c. Five-Year Historical and Forecast planning Data
 - d. Technical Analysis
 - e. Project Financial and Economic Cost Analysis
 - f. Project Cost Estimates
 - g. Project Duration
 - h. Single Line Diagram
 - i. Conceptual Engineering Design and Drawings
 - j. Board Resolution approving the proposed projects
 - k. Sworn Statement
 - l. Compliance with the pre-filing requirements:
 - i. Certification from the Presiding Officer or Secretary of the Sangguniang Bayan of Baler, Aurora and of the Sangguniang Panlalawigan of Aurora and, or their duly authorized representatives attesting to the fact that applicant has furnished the respective legislative body of the local government unit and the Sangguniang Panlalawigan: and

- ii. Affidavit of Publication and Newspaper issue containing the published Application in its entirety in a newspaper of general circulation in AURELCO's franchise area.
13. That the approval of the proposed capital expenditure projects is needed to maintain efficient, reliable, and safety delivery of power to AURELCO's existing and future consumers, and will redound to the benefit of the consuming public.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that pending hearing, the herein submitted application for approval of proposed electric capital expenditure projects and authority to secure loan from the National Electrification Administration be provisionally approved ex parte; and the applicant be authorized to adopt and implement the same effective upon such approval and after due to notice and hearing and consideration, the application be approved permanently.

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

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 evidentiary hearing on **08 August 2018 (Wednesday) at two o'clock in the afternoon (02:00 PM), at the AURELCO's Principal Office in Brgy. Reserva, Baler, Aurora.**

Accordingly, Applicant 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 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 the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, 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 the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 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 proof of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the 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 therefor; 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.

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AURELCO 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, 03 July 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS, JJB/LS/ APV

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Copy Furnished:

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Counsel for AURELCO
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2. Aurora Electric Cooperative, Inc. (AURELCO)
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4. Commission on Audit
Commonwealth Avenue, Quezon City
5. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
6. House Committee on Energy
Batasan Hills, Quezon City
7. Philippine Chamber of Commerce and Industry (PCCI)
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8. Office of the Governor
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9. Office of the LGU legislative body
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10. Office of the Governor
Province of Isabela
11. Office of the LGU legislative body
Province of Isabela
12. Office of the Governor
Province of Aurora
13. Office of the LGU legislative body
Province of Aurora
14. Office of the Governor
Province of Nueva Vizcaya
15. Office of the LGU legislative body
Province of Nueva Vizcaya
16. Office of the Mayor
Baler, Aurora
17. Local Government Unit (LGU) legislative body
Baler, Aurora
18. Office of the Mayor
San Luis, Aurora
19. Office of the LGU legislative body
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20. Office of the Mayor
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Ma. Aurora, Aurora

22. Office of the Mayor
Dipaculao, Aurora
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24. Office of the Mayor
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