

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE MULTI-
YEAR CAPITAL
EXPENDITURE PROJECTS
(2015-2017) WITH PRAYER
FOR AUTHORITY TO
SECURE LOANS AND
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2017 – 073 RC

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

X ----- X

D O C K E T E D
Date: JUL 31 2018
By: W

ORDER

On 11 August 2017, Negros Oriental I Electric Cooperative, Inc. (NORECO I) filed an *Application* seeking the Commission's approval of its Multi-Year Capital Expenditures Projects (2015-2017) with prayer for authority to secure loans and provisional authority.

NORECO I alleged the following in its *Application*:

1. 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.
3. The instant *Application* is filed pursuant to Section 43 (f) of Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001", ERC Resolution No. 26, Series of 2009, ERC Rules of Practice and Procedure, and other relevant laws and rules, for the Honorable Commission's approval, confirmation and authority for NORECO I to implement the proposed Capital Expenditure (CAPEX) projects for the years 2014 to 2016.

4. NORECO I furnished the legislative bodies of the local government units where it principally operates with copies of the Application with all its annexes and accompanying documents. Copies of the proofs of service to the Sangguniang Panlalawigan of Negros Oriental and the Sangguniang Bayan of Bindoy, Negros Oriental are attached as **Annexes "A"** and **"B"**, respectively.
5. NORECO I also published the Application *sans* annexes in its entirety in a newspaper of general circulation within its franchise area. Copies of the Affidavit of Publication and the Newspaper where the Application was published are attached as **Annexes "C"** and **"D"**, respectively.
6. NORECO I's Multi-Year Capital Expenditure Projects are divided into network and non-network projects, with the specific projects indicated as follows:

CAPITAL EXPENDITURE PROJECTS (2015-2017)

PROJECT	YEAR OF IMPLEMENTATION			TOTAL COST	
	2015	2016	2017		
Network					
1	Purchase of Poles, Transformers, Conductors and Line Hardwares	10,005,212.00	12,085,754.58	15,626,406.42	37,717,373.00
2	Purchase of kWh Meters, Poles, Transformers, Conductors, and Line Hardwares for New Consumers		4,949,355.08	8,413,843.42	13,363,198.50
3	Purchase of kWh Meters for the Replacement of Defective and Stuck-up Meters	688,665.79	2,054,242.06	10,354,447	13,097,385.00
4	Purchase of Distribution Lightning Arresters			425,209.05	425,209.05
5	Procurement of Substation Feeder Metering			2,100,000.00	2,100,000.00
6	Purchase of Recloser			5,040,000.00	5,040,000.00
7	Purchase of Line Tools and Protective Equipment	240,283.47	289,858.68	3,495,644.16	4,025,786.30
	TOTAL NETWORK	10,934,161.27	19,379,210.40	45,455,580.02	75,768,951.86
Non-Network					
8	Acquisition of Land and Construction of Sub-office Building in Vallehermoso			1,000,000.00	1,000,000.00
9	Purchase of Transformer Tester (3 in 1) and Polyphase kWh Meter Calibrator			2,940,000.00	2,940,000.00
10	Purchase of Vehicles and Motorcycles			7,392,000.00	7,392,000.00
11	Information System Automation	57,528.07	46,998.22	2,950,973.71	3,055,500.00
12	Construction of New Building and Office Improvement		31,500.00	5,597,473.95	5,628,973.95
13	Purchase of Meter Reading, Communication Equipment, Desktop Computers and Printers	99,230.00	68,792.12	854,677.88	1,022,700.00
	TOTAL NON-NETWORK	156,758.07	147,290.34	20,735,125.54	21,039,173.95
	TOTAL	11,090,919.34	19,526,500.74	66,190,705.74	96,808,125.81

7. The above-enumerated CAPEX projects were proposed after a performance assessment of the distribution system of NORECO I, in response to the identified problems.
8. NORECO I's Profile, Forecasting Model, Forecasted Energy Sales, kW Demand, and Consumer Count, Existing Distribution System Analysis, Identified Problems, Proposed Projects with Description and Justification, Project Financing Plan, and Proposed Gantt Chart Schedule are discussed in detail in the CAPEX Plan of NORECO I, attached as **Annex "E"** hereof.
9. Applicant's estimated capital expenditure for 2015-2017 exclusive of permit fee, legal and consultancy fees and capitalized interests is Ninety-Six Million Eight Hundred Eight Thousand One Hundred Twenty-Five Pesos and Eighty-One Centavos (P96,808,125.81).
 - a. Applicant intends to secure loans from the National Electrification Administration (NEA) in the amount of Thirty-Four Million Three Hundred Ninety-Four Thousand Seven Hundred Twenty-Six Pesos and Ninety Nine Centavos (34,394,726.99).
 - b. The balance will be financed from the Reinvestment Fund for Sustainable Capital Expenditures (RFSC). The implementation of all the proposed projects is projected to have an average indicative additional revenue requirement on the RFSC rate of Php 0.1861 per kWh in order to cover the shortfall on the existing RFSC.

	2015	2016	2017	2018	2019	TOTAL
Forecasted energy sales, kWh	52,942,544	59,350,631	59,567,259	63,273,634	67,188,469	302,322,537.00
Cash balance beginning, PhP, excess/(shortfall)		6,931,831.13	7,573,405.23	(9,540,332.54)	8,622,107.60	28,130,859.49
CASH INFLOWS						
current year collection @PhPo.3439/kWh	18,206,940.88	20,410,682.00	20,485,180.37	21,759,802.73	23,106,114.49	103,968,720.47
50% of income on leased properties	1,361,935.49	1,361,935.49	1,361,935.49	1,361,935.49	1,361,935.49	6,809,672.45
loan proceeds from financial institutions, PhP	-	-	34,394,726.99			34,394,726.99
Total Cash Inflows, PhP	19,568,876.37	21,772,617.49	56,241,842.85	23,121,738.22	24,468,049.98	145,173,124.91
Available cash for disbursement	19,568,876.37	28,704,448.63	63,815,248.08	13,581,405.69	33,090,157.58	173,303,984.40
CASH OUTFLOWS						
CAPEX requirement	11,090,919.34	19,526,500.74	66,190,705.74			96,808,125.81
Emergency CAPEX- Mabinay Repair			1,166,200.00			1,166,200.00
depreciation (new CAPEX), PhP			4,959,298.09	4,959,298.09	4,959,298.09	14,877,894.26
debt, PhP	1,462,944.00	1,458,093.90	534,200.00			3,455,237.90
ERC Permit Fee, PhP	83,181.90	146,448.76	505,176.79			734,807.44
Total Cash Outflows, PhP	12,637,045.23	21,131,043.39	73,355,580.62	4,959,298.09	4,959,298.09	117,042,265.41
Cash balance ending, PhP, excess/(shortfall)	6,931,831.13	7,573,405.23	(9,540,332.54)	8,622,107.60	28,130,859.49	56,261,718.98
Excess/(shortfall) on RFSC, PhP/kWh	0.1309	0.1276	(0.1602)	0.1363	0.4187	0.1861

10. The proposed CAPEX projects and plans to secure loans to finance said projects were already approved by the Board of Directors of NORECO I.

**ALLEGATIONS IN SUPPORT OF THE PRAYER
FOR AUTHORITY TO SECURE LOANS
AND PROVISIONAL AUTHORITY**

Applicant re-pleads the foregoing allegations and further states that:

11. There is an urgent necessity to commence the implementation of proposed CAPEX projects as the identified problems include safety deficiencies, power quality violations and poor reliability.
12. In particular, the following CAPEX projects are extremely urgent: the replacement of aging, broken and rotten wood poles and worn-out line tools and protective equipment, because these are safety projects, and the replacement of defective meters.

PRAYER

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

- (1) Upon filing of the Application, and pending hearing thereon, an Order be issued granting **PROVISIONAL AUTHORITY** to NORECO I to implement its capital expenditure projects for 2015 to 2017; and
- (2) After hearing thereon on the merits, a **DECISION** be rendered **APPROVING** the instant Application and **GRANTING AUTHORITY TO SECURE LOANS** to NORECO I to finance its capital expenditure projects for 2015 to 2017.

Other just and equitable reliefs are likewise prayed for.

On 26 March 2018, the Commission issued an Order and a Notice of Public Hearing setting the *Application* for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on 05 July 2018.

On 29 June 2018, Applicant filed an *Urgent Motion to Reset Hearing* (Motion) of even date, stating therein that NORECO failed to comply with publication and notice requirements of the Commission as directed in the Order dated 26 March 2018.

Finding the Applicant's Motion in order, the Commission granted the same. In view thereof, the scheduled hearing on 5 July 2018 hearing was cancelled.

Thus, the Commission hereby sets anew the instant *Application* for determination of jurisdictional compliance, expository presentation, Pre-trial Conference and evidentiary hearing on **30 August 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.), at NORECO I's Principal Office, Tinaogan, Bindoy, Negros Oriental.**

Accordingly, NORECO I 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.

Applicant 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.


NORECO I 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.

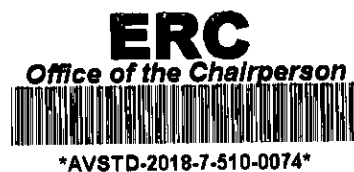
SO ORDERED.

Pasig City, 24 July 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


ERC/LSP/APV ord.2017-073 NORECO I- CAPEX io-reset



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Copy Furnished:

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2. Negros Oriental I Electric Cooperative, Inc. (NORECO I)
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4. Commission on Audit
Commonwealth Avenue, Quezon City
5. Senate of the Philippines
Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
6. House of Representatives
House of Representatives Committee on Energy
Batasan Hills, Quezon City
7. Office of the City Mayor
Bais City, Negros Oriental
8. Office of the Sangguniang Panglungsod
Bais City, Negros Oriental
9. Office of the City Mayor
Canlaon City, Negros Oriental
10. Office of the Sangguniang Panglungsod
Canlaon City, Negros Oriental
11. Office of the Municipal Mayor
Ayungon, Negros Oriental
12. Office of the Sangguniang Bayan
Ayungon, Negros Oriental
13. Office of the Municipal Mayor
Bindoy, Negros Oriental
14. Office of the Sangguniang Bayan
Bindoy, Negros Oriental
15. Office of the City Mayor
Guihulngan, Negros Oriental
16. Office of the Sangguniang Panglungsod
Guihulngan, Negros Oriental
17. Office of the Municipal Mayor
Jimalahud, Negros Oriental
18. Office of the Sangguniang Bayan
Jimalahud, Negros Oriental
19. Office of the Municipal Mayor
La Libertad, Negros Oriental
20. Office of the Sangguniang Bayan
La Libertad, Negros Oriental

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21. Office of the Municipal Mayor
Mabinay, Negros Oriental
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23. Office of the Municipal Mayor
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24. Office of the Sangguniang Bayan
Manjuyod, Negros Oriental
25. Office of the Municipal Mayor
Tayasan, Negros Oriental
26. Office of the Sangguniang Bayan
Tayasan, Negros Oriental
27. Office of the Municipal Mayor
Vallehermoso, Negros Oriental
28. Office of the Sangguniang Bayan
Vallehermoso, Negros Oriental
29. Office of the Governor
Province of Negros Oriental
30. Office of the Sangguniang Panlalawigan
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31. Philippine Chamber of Commerce and Industry (PCCI)
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