

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



**IN THE MATTER OF THE
APPLICATION FOR AUTHORITY
TO IMPLEMENT RE-ROUTING
OR RELOCATION OF THE 69 KV
TALISAY FEEDER (INCLUDING
INSTALLATION OF
DISCONNECT SWITCHES), WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2014-112 RC

**CENTRAL NEGROS ELECTRIC
COOPERATIVE, INC. (CENECO),**

Applicant.

X-----X

D O C K E T E D
Date: SEP 03 2014
By: [Signature]

ORDER

On August 5, 2014, the Central Negros Electric Cooperative, Inc. (CENECO) filed an application for authority to implement re-routing or relocation of the 69 kV Talisay Feeder (including installation of disconnect switches), with prayer for provisional authority.

In the said application, CENECO alleged, among others, the following:

1. It is an electric cooperative existing under the laws of the Republic of the Philippines, with principal office located at Mabini corner Gonzaga Streets, Bacolod City, Negros Occidental. It may be served with notices and other processes of the Commission through its counsel at the address indicated in the application;
2. It has been granted a franchise by the National Electrification Commission (NEC) to operate and maintain a distribution system in the cities/municipalities of Bacolod, Bago, Silay

Talisay, Murcia and Don Salvador Benedicto, all in the Province of Negros Occidental and is authorized to charge all its customers for their electric consumption at the rates duly approved by the Commission;

3. It seeks the approval of the Commission through the instant application to implement an emergency project, more particularly, the re-routing/relocation of the existing 69 kV Talisay Feeder and installation of air break switches and/or disconnects along laterals. This case is being filed pursuant to Resolution No. 26, Series of 2009 issued by the Energy Regulatory Commission (ERC), otherwise known as "*Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects*," pertinent portion of which provides:

"3.4 These are capital expenditure projects that require immediate implementation during an event other than those enumerated and covered in the definition of a force majeure, or fortuitous event in order to maintain safe, reliable, secure and efficient operation of the power system. These projects shall be filed with ERC for approval within sixty (60) days after the start of construction and shall be supported by documents indicating the following:

- a) Project Description;
- b) Justification or Benefits to be Delivered;
- c) Estimated Project Costs;
- d) Project Financing Plan; and
- e) Project Schedule."

Background of the Project

4. As a background, the existing 69 kV line Talisay Feeder is part of the subtransmission assets which it acquired from the National Power Corporation (NPC) through a Lease Purchase Agreement (LPA) executed on April 2005. The said LPA was approved by the Energy Regulatory Commission (ERC) last March 28, 2008. Accordingly, on October 20, 2008, a Deed of Possession was entered into by the same parties with which NPC/TRANSCO transferred possession, operation and maintenance of the said assets to

it. A single line diagram showing the 69 kV subtransmission asset acquired by it is thereto attached to the application as Annex "A" and made integral part thereof;

5. The acquired subtransmission lines are connected to the National Grid Corporation of the Philippines' (NGCP) Mansilingan Substation serving its substations as shown in the table below:

| 69 kV line | Substation Served | Length of Line (kms) | **No. of consumers | **Ave Load (kW) |
|---------------------|-------------------|----------------------|--------------------|-----------------|
| | Burgos SS | | 15,405 | 5,692 |
| | Mt View SS | | 12,598 | 14,600 |
| | Talisay SS | | 20,964 | 5,729 |
| | Panaogao SS | | 5,971 | 3,287 |
| | Lopez SS | | 9,160 | 2,648 |
| Talisay Feeder* | | 31.224 | 64,098 | 31,958 |
| | Alijis SS | | 41,160 | 17,071 |
| | Gonzaga SS | | 15,562 | 14,148 |
| | Reclamation SS | | 8,999 | 8,268 |
| Power Barge Fdr* | | 12.007 | 65,721 | 39,847 |
| | Sum-ag SS | | 8,118 | 4,255 |
| | Calumanggan SS | | 206 | |
| | Hilangban SS | | 13,849 | 4,463 |
| San Enrique Fdr | | 21.003 | 22,173 | 8,718 |
| CENECO Total | | | 151,992 | 80,164 |

Note : * CENECO Acquired Asset
 ** December 2012 Data

6. Portion of the acquired assets, more particularly the 69 kV Talisay Feeder Line, is presently serving its various substations in the north area, namely: Burgos, Mt. View, Talisay, Panaogao and Lopez Substations. These five (5) substations have average demand and number of customers as shown below:

| Substation | Average Demand (kW) | No. of Consumers |
|----------------------------|---------------------|------------------|
| Burgos (10 MVA) | 5,692 | 15,405 |
| Mt View (30 MVA) | 14,601 | 12,598 |
| Talisay (10 MVA) | 5,730 | 20,964 |
| Panaogao (5 MVA) | 3,287 | 5,971 |
| Lopez (5 MVA) | 2,648 | 9,160 |
| Total | 31,958 | 64,908 |
| Percentage to Total | 42.17% | 42% |

7. The Talisay 69 kV Feeder line traverses through sugar cane fields and rice fields owned by private individuals and corporations. As a matter of fact, some of these sugar cane fields have already been converted to subdivisions. Since the said line passes through private properties, the reliability of the line is oftentimes compromise as it cannot immediately conduct its repair and maintenance operation as permission from the land owners need to be sought before it can enter the property. This situation always resulted in the delay in the conduct of repair and maintenance job;
8. Worst, in instances when landowners would totally refuse entry demanding for right-of-way (ROW) compensation, it was compelled to source the supply of power for its various substations (Talisay, Panaogao and Lopez Substations) from the National Grid Corporation of the Philippines' (NGCP) Cadiz Substation in the North. This resulted to delivery voltage of less than the prescribed limits as set forth in the Philippine Grid Code (PGC) much to the detriment of its consumers and the attendant problem brought by the said situation;

Description of the Project

9. The proposed project is for the re-routing or relocation of the existing 69 kV Subtransmission Line from NGCP's Mansilingan Substations. The line will have a length of 31.224 and will serve its Burgos, Mt. View, Talisay, Panaogao and Lopez Substations in the North. The project will include as well the installation of airbreak switches/disconnects along laterals. The said relocation or re-routing is a complementary project of its 69 kV looping projects which is part of its 2011-2013 CAPEX application pending before the Commission. Attached to the application as Annex "B" and made integral part thereof is the Single Line Diagram showing the proposed project;

Justification or Benefits of the Project

10. Recently, its 69 kV Talisay Feeder experienced prolonged interruption particularly its substations in the North¹ which

¹ Burgos SS, Mt. View SS, Talisay SS, Panaogao SS and Lopez SS.

were later traced to troubles in the subtransmission line serving the said substations, specifically the Talisay 69 kV Feeder Lines, serving its substations in the area. Since it has a problem in its access to the line, it took quite some time for it to troubleshoot and repair the lines, thereby resulting in prolonged power interruption to the detriment of its consumers;

11. This recurring problem prompted it to find ways to address the same. Thus, upon careful evaluation of the situation, it identified the relocation (re-routing) of the 69 kV Talisay Feeder Line and installation of air break switches and/or disconnects as the most practical solution;
12. Analysis for this project was based on its latest 69 kV feeder scenario for the three (3) 69 kV feeder lines serving CENECO's power substations.² Interruption data for the said 69 kV line feeders for the period of January 2013 to November 2013 were analyzed. From the count, duration and cause of the interruption, the failure/kms and the repair time of the individual 69 kV feeders were established. From the result, it was determined that the 69 kV Talisay Feeder line has the most count of failure, with longest duration and high percentage of failure/km and repair time. Attached to the application as Annexes "C," "D" and "E" and made integral part thereof are the Interruption Report, Technical Analysis and Economic Cost Analysis of the project;
13. The project aims to improve the reliability of the line by re-routing or relocating the 69 kV line along highways which can provide easy access to it in the conduct of emergency repair works. Likewise, this would enable it to conduct periodic inspection and the necessary maintenance and repair of the said line assets on a pre-determined schedule;
14. Corollary to that, the proposed project would also free it from future legal problems such as ROW claims, as the relocation would now be made along existing highways where ROW and/or easements were provided by Department of Public Works and Highways (DPWH) during the construction of these road networks;

² Talisay Feeder, Power Barge Feeder, Talisay Feeder.

15. Needless to state, the proposed project would redound to the benefit of its consumers in terms of adequate and reliable supply of electricity. It bears stressing that the substations being served by the line assets proposed to be relocated, supply power to various institutions such as hospitals, schools and even water pumping stations. Hence, in case of trouble in the said lines which is highly probable especially during pre-harvest season when sugarcanes are at its peak growth, consumers in these areas will experience an average of six (6) hours interruption, or even longer in case landowners refused entry to its maintenance personnel. Thus, the implementation of the project would assure steady and reliable supply of electricity to its consumers in the area;

Project Schedule

16. As per its planning data, the project would be implemented within a period of six (6) months from the issuance of the Commission's approval, provisional or otherwise. Attached to the application as Annex "F" and made integral part thereof is the Gantt Chart for the re-routing or relocation of the 69 kV line;

Project Cost Estimates and Financing Plan

17. The project requires an estimated capital investment of PhP58,476,819.77. Attached to the application as Annex "G" and "H" and made integral part thereof are the Staking Sheets and detailed breakdown of Project Cost Estimates;
18. Its proposed project will be financed through loans and would be amortized through its Reinvestment Fund for Sustainable Capital Expenditures (RFSC) Rate approved by the Commission under the Rules for Setting Electric Cooperatives' Wheeling Rates (RSEC-WR). Below is a cash flow analysis showing RFSC Fund for the year 2014:

CASH FLOW ANALYSIS

| Cash Flow Analysis | 2014 |
|------------------------------------|---------------------|
| Forecasted sales (kWh) | 622,976,064.44 |
| RFSC Beginning Fund Balance | 4,265,981.20 |
| Funding Sources (Inflows): | |

| | |
|--|------------------------|
| Annual Revenue Cash Flow from RFSC* | 94,567,766.58 |
| NEA Loan - 69 kV Relocation Project | 46,781,455.81 |
| Loans - Bank and other sources | 356,479,177.32 |
| Total RFSC Inflows | 502,094,380.92 |
| CAPEX Projects (Outflows): | |
| 69 kV Relocation Project | 58,476,819.77 |
| 2014 Network Projects | 127,142,307.69 |
| 2014 Other Network Projects | 127,161,489.84 |
| 2014 Non-Network Projects | 191,295,174.12 |
| ERC CAPEX Approval Fees | 43,857.61 |
| Annual Capex Plan | 504,119,649.04 |
| Debt Service - NEA | 13,266,606.00 |
| Debt Service - REFC | 9,949,524.00 |
| Debt Service - 69 kV Relocation Project | 6,971,816.44 |
| Debt Service - 2014 CAPEX | 53,125,909.53 |
| Total Cash Outflow for Debt Service | 83,313,855.97 |
| Total RFSC Outflows | 587,433,505.00 |
| RFSC Ending Fund Balance | (81,073,142.88) |

19. With an estimated capital investment of Php58,476,819.77, the indicative RFSC would be:

| | |
|--|--------|
| Existing Reinvestment for Sustainable CAPEX Rate | 0.1518 |
| Indicative RFSC per kWh | 0.1301 |
| Capex Plan Cost Cash Flow Rate per kWh | 0.2819 |

*Assuming 100% collection efficiency

Attached to the application as Annex "I" and made integral part thereof is the detailed Cash Flow Analysis and its supporting data;

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

20. In its Resolution No. 26, Series of 2009, the Commission provides, among other things, for specific regulatory procedure to be undertaken in cases of emergency significant projects such as the instant case in order to maintain safe, reliable, secure and efficient operation in the power system;
21. Thus, pursuant to the above-mentioned rule, it is extremely important for it to be able to immediately implement, without delay, the emergency project subject of the instant application in order to avert power interruptions. The implementation for the project would undeniably redound to the benefit of its consumers in terms of steady, adequate and reliable supply of electricity, particularly those being served by the line, such as hospitals, school and other public utilities (water pumping stations) located in the area;
22. Equally important, the immediate implementation of the said project is envisioned to promote new development in the affected areas in terms of economic opportunities and commercial activities as it will be able to accommodate new load applications with a reliable distribution line. Consequently, new jobs will be created and the growth of the local as well as the national economy will be promoted;
23. In view of the foregoing, there is an urgent need for the issuance of a provisional authority to allow it to immediately implement the aforesaid emergency significant capital projects. In support thereof, attached to the application as Annex "J", and made an integral part thereof, is the affidavit of Mr. JOSE TADLAS, its Head of Planning Development Division under the Corporate Planning Department; and
24. It prays that upon filing of the instant application, and pending hearing thereon, a provisional authority be immediately issued, and after hearing on the merits, a Decision be rendered approving the implementation of the re-routing or relocation of its 69 kV Talisay Feeder and installation of disconnect switches.

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 initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 24, 2014 (Wednesday) at nine o'clock in the morning (9:00 A.M.) at the CENECO Main Office, Mabini corner Gonzaga Streets, Bacolod City.**

CENECO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its 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 the Governor of Negros Occidental and the Mayors of the Cities/Municipalities within CENECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

CENECO 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, CENECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the 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.

CENECO 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 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 CENECO to submit the required Pre-trial Brief and Judicial Affidavits of its 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, CENECO must also be prepared to make an expository presentation of its 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, September 2, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson


LMB/NJS/Capex/2014-112 RC CENECO ORD.doc

Copy furnished:

1. **ATTY. IRISH MAE V. RODRIGUEZ**
Counsel for the Applicant
CENECO Building
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Bacolod City, Negros Occidental
2. **Central Negros Electric Cooperative, Inc. (CENECO)**
General Manager
Bacolod City, Negros Oriental
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City 1307
6. **House Committee on Energy**
Batasan Hills, Quezon City 1126
7. **Office of the City Mayor**
Bacolod City, Negros Occidental
8. **Office of the City Mayor**
Silay City, Negros Occidental
9. **Office of the City Mayor**
Talisay City, Negros Occidental
10. **Office of the City Mayor**
Bago City, Negros Occidental
11. **Office of the Municipal Mayor**
Murcia, Negros Occidental
12. **Office of the Municipal Mayor**
Don Salvador Benedicto, Negros Occidental
13. **The National Grid Corporation of the Philippines (NGCP)**
Quezon Avenue corner BIR Road, Diliman, Quezon City
14. **President**
Philippine Chamber of Commerce and Industry (PCCI)
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