

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF PROPOSED  
CAPITAL PROJECTS FOR THE  
YEARS 2018 TO 2020 AND  
AUTHORITY TO SECURE  
LOAN FROM NEA AND/OR  
OTHER FINANCING/BANK  
INSTITUTIONS**

**ERC CASE NO. 2021-036 RC**

**PAMPANGA RURAL  
ELECTRIC SERVICE  
COOPERATIVE, INC.  
(PRESCO),**

***Applicant.***

**X-----X**

**Promulgated:**  
June 11, 2021

**ORDER**

On 20 May 2021, Pampanga Rural Electric Service Cooperative, Inc. (PRESCO) filed an *Application* dated 12 March 2021, seeking the Commission's approval of its proposed capital expenditure projects for the years 2018 to 2020 and authority to secure loan from the National Electrification Administration (NEA) and/or other financing institutions.

The pertinent allegations in the *Application* are hereunder quoted as follows:

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 Anao, Mexico, Pampanga;
2. It is the holder of an exclusive franchise issued by the National Electrification Administration (NEA), to operate an electric light and power distribution services in the portion of Municipalities of Arayat, Magalang, Mexico and Sta. Ana all in the Province of Pampanga;
3. That pursuant to ERC Resolution No. 26 Series of 2009, and in accordance with Section 3.5 and other provision of Article

**ERC CASE NO. 2021-036 RC**  
**ORDER/ 01 JUNE 2021**  
**PAGE 2 OF 11**

---

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 2018 to 2020, due to the deteriorating condition of old equipment and to acquire various additional equipment to augment old ones, as follows:

**A. Proposed Network Projects**

NETWORK PROJECTS			PROJECT COST (Php)			
No.	Title	Type	2018	2019	2020	Total
1	Relocation of Primary Lines (DPWH Road Widening Projects)	Safety	-	781,742.36	-	781,742.36
2	Replacement of Rotten Wood Poles	Safety	-	-	889,600.00	889,600.00
3	Uprating of Substation	Capacity	-	36,800,000.00	-	36,800,000.00
4	Extension of Primary Lines	Capacity	578,320.63	898,060.89	-	1,476,381.52
5	Construction of Additional Feeder (Feeder 4)	Capacity	-	-	7,634,708.73	7,634,708.73
6	Procurement and Installation of Pole Mounted Distribution Transformers	Capacity	1,826,560.00	1,532,000.00	4,048,000.00	7,406,560.00
7	Replacement of Defective/Busted and Close to Overloading Distribution Transformers	Capacity	1,025,540.00	1,532,000.00	1,903,000.00	4,460,540.00
8	Procurement and Installation of kWhr Meters and Service Drop Wires	Capacity	4,266,710.00	3,663,040.00	3,964,002.00	11,893,752.00
9	Procurement of Distribution Poles for Buffer Stocks	Reliability	1,889,160.00	2,034,440.00	3,118,100.00	7,041,700.00
10	Procurement of Fault Locator Equipment	Reliability	-	576,000.00	-	576,000.00
11	Replacement of Defective Meters	System Loss	1,820,000.00	1,900,750.00	1,697,500.00	5,418,250.00
<b>Sub Total</b>			11,406,290.63	49,718,033.25	23,254,910.73	84,379,234.61

*(This space is intentionally left blank.)*

**B. Proposed Non-Network Projects**

NON NETWORK PROJECTS			PROJECT COST (Php)			
No.	Title	Type	2018	2019	2020	Total
12	Procurement of Lineman's Personal Protective Equipment (PPE)	Safety	27,320.00	94,050.00	28,200.00	149,570.00
13	Procurement of Heavy Equipment	Safety	-	-	1,750,000.00	1,750,000.00
14	Procurement of Electrical Tools	Safety	45,000.00	85,218.00	717,000.00	847,218.00
15	Construction of Geographic Interface System Map of PRESCO's Distribution System	Service Efficiency	-	-	3,000,000.00	3,000,000.00
16	Procurement of Server	Service Efficiency	-	-	1,090,000.00	1,090,000.00
<b>Sub Total</b>			<b>72,320.00</b>	<b>179,268.00</b>	<b>6,585,200.00</b>	<b>6,836,788.00</b>

Description	2018	2019	2020	Total
<b>Total CAPEX Projects</b>	11,478,610.63	49,897,301.25	29,840,110.73	91,216,022.61

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

- Executive Summary
- Distribution Planning Process
- Forecasting
- Performance Assessment
- Summary of Identified Problems
- Goal Setting Prioritization
- Summary of Proposed Capital Expenditure Projects
- Financing
- Indicative Rate Impact of the Project
- Details of The Capital Projects
- Board Resolution approving the Proposed Projects
- Sworn Statement

**PROJECT DESCRIPTION**

5. 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**

6. 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**

7. Funding for the acquisition and purchase of technical and non-technical capital expenditures will be taken from the ERC Case No. 2009-079 RC approved rate of Php0.2508/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 and availing loans from NEA and/or other financing/bank institutions. The indicative terms of loans from NEA will be 6% per annum for 10 years. The projects from year 2018 to 2019 are already implemented without availing loans except for the CP-03 project titled: "Uprating of Substation", in which, the funding source comes from loan from Philippine Bank of Communications (PBCOM). In year 2019, 5,520,000.00 Php was released for the mobilization of the project. Last year 2020, 26,801,712.94 Php was released. Aside from the CP-03, CP-12 project titled "Procurement of Heavy Equipment" was also loaned from PBCOM. Also, last year 2020, 1,750,000.00 Php was released for the procurement of the said equipment. Both loaned projects, CP-03 and CP-12 have an interest rate of 2.10% per annum, both loans are payable for 10 years.

**A. ANNUAL COST**

<b>SOURCE OF FUNDS</b>	<b>TOTAL COST FINANCED</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
RFSC	33,433,728.01	16,722,003.31	16,711,724.70	-
NEA	28,090,110.73	-	-	28,090,110.73
Financing/ Banking Institution	34,071,712.94	-	5,520,000.00	28,551,712.94
<b>Grand Total</b>	<b>95,595,551.68</b>	<b>16,722,003.31</b>	<b>22,231,724.70</b>	<b>56,641,823.67</b>

**B. ANNUAL AMORTIZATION/FINANCIAL REQUIREMENTS**

<b>SOURCE OF FUNDS</b>	<b>TOTAL COST FINANCED</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>REMARKS</b>
RFSC	33,433,728.01	16,722,003.31	16,711,724.70	-	
NEA	28,090,110.73	-	-	28,090,110.73	6% Interest Rate
Financing/ Banking Institution	34,071,712.94	-	5,520,000.00	28,551,712.94	2.1% Interest Rate
RFSC	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67	
CAPEX Approval Fee					
<b>TOTAL</b>	<b>95,595,551.68</b>	<b>16,722,003.31</b>	<b>22,231,724.70</b>	<b>56,641,823.67</b>	

**ERC CASE NO. 2021-036 RC**  
**ORDER/ 01 JUNE 2021**  
**PAGE 5 OF 11**

**C. REVENUE FROM ERC APPROVED MCC**

SOURCE OF FUNDS	TOTAL	2018	2019	2020
Actual KWHR Sales	174,570,251.13	53,275,266.00	58,158,751.00	63,136,234.13
RFSC rate per KWHR as per ERC approved	0.2508	0.2508	0.2508	0.2508
<b>Revenue from RFSC</b>	<b>43,610,492.25</b>	<b>13,273,510.35</b>	<b>14,502,414.38</b>	<b>15,834,567.52</b>

**D. CASH FLOW**

	TOTAL	2018	2019	2020
Revenue from RFSC	43,610,492.25	13,273,510.35	14,502,414.38	15,834,567.52
CAPEX Plan (Internal Financing /RFSC)	33,433,728.01	16,722,003.31	16,711,724.70	-
CAPEX Plan Amortization	62,161,823.67	-	5,520,000.00	56,641,823.67
CAPEX Approval Fee				
Sub-total CAPEX Plan Cost	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67
Previous Loan Amortization	4,119,872.00	1,564,800.00	2,555,072.00	-
Total CAPEX Cost	99,715,423.68	18,286,803.31	24,786,796.70	56,641,823.67
Net Cash Flow	6,056,892.24	(5,013,292.96)	(4,764,382.32)	15,834,567.52
ADD: Cash Balance Beg. PHP, Excess/(Shortfall)		9,916,887.13	4,903,594.17	139,211.85
Cash Balance Ending, PHP, Excess/(Shortfall)		4,903,594.17	139,211.85	15,973,779.37

**E. RATE IMPACT ANALYSIS**

	2018	2019	2020	2021	2022	2023	Total
Forecasted energy sales, kWh	53,275,266.00	58,158,751.00	63,136,234.13	68,010,462.50	72,884,690.88	77,758,919.25	393,224,323.76
Cash Balance beginning, Php, excess/(shortfall)	9,916,887.13	4,903,594.17	139,211.85	15,973,779.37	2,657,567.47	9,007,943.01	9,916,887.13
<b>CASH INFLOWS</b>							
current year collection @PhPO.2508/kWh	13,273,510.35	14,502,414.38	15,834,567.52	17,057,024.00	18,279,480.47	19,501,936.95	98,448,933.67
loan proceeds from financial institutions, Php		5,520,000.00	56,641,823.67	60,219,387.53	88,146,904.88	42,767,400.00	253,295,516.08
government subsidy (if any), Php							-
Total Cash Inflows, Php	13,273,510.35	20,022,414.38	72,476,391.19	77,276,411.53	106,426,385.35	62,269,336.95	351,744,449.75
Available cash for disbursement	23,190,397.48	24,926,008.55	72,615,603.04	93,250,190.90	109,083,952.82	71,277,279.96	361,661,336.88
<b>CASH OUTFLOWS</b>							
CAPEX requirement	16,722,003.31	22,231,724.70	56,641,823.67	86,223,309.93	88,146,904.88	42,767,400.00	312,733,166.49
old debt (old amortization)	1,564,800.00	2,555,072.00					4,119,872.00
new amortization (new CAPEX), Php				4,369,313.50	11,929,104.93	28,084,400.65	44,382,819.08
ERC Permit Fee, Php							-
Total Cash Outflows, Php	18,286,803.31	24,786,796.70	56,641,823.67	90,592,623.43	100,076,009.81	70,851,800.65	361,235,857.57
Cash balance ending, Php, excess/(shortfall)	4,903,594.17	139,211.85	15,973,779.37	2,657,567.47	9,007,943.01	425,479.31	425,479.31
Existing Reinvestment Fund	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508
Indicative - Additional Rate	0.00	0.00	0.00	0.00	0.00	0.00	-
Capex Plan Cost Cash Flow Rate per kWh	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508

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

8. 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, PRESCO is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex No.	Nature of Document

A	PRESKO 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 Offices of the Governor and Sanguniang Panlalawigan of Pampanga and Offices of the Mayor and Sanguniang Panlungsod or Bayan of Mexico
C	Publication of the Application in a newspaper of general circulation within PRESKO franchise area.
D	Affidavit of publication from the editor-in-chief or duly authorized representative of the publisher.

**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 Php91,216,022.61;

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* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020,<sup>1</sup> dated 24 September 2020:

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>17 August 2021</b> (Tuesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams Application</b>	Determination of Compliance with the Jurisdictional Requirements and Expository Presentation

---

<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>24 August 2021</b> (Tuesday) at nine o'clock in the morning (9:00 A.M.)		Pre-trial Conference and Presentation of Evidence

Accordingly, PRESCO is hereby directed to host the virtual hearings at its **Principal Office in Anao, Mexico, Pampanga**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, Applicant shall guarantee that, during the conduct of the Expository Presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, PRESCO is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual 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 Virtual Hearing* the Offices of the Provincial Governor, the Mayors and the Local Government Unit (LGU) legislative bodies within PRESCO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual 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 and attend the scheduled hearings; and

- 5) Furnish with copies of the *Application* and its attachments, all those making requests therefor, subject to the resolution of the prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.<sup>3</sup>

Within five (5) calendar days prior to the date of the initial virtual hearing, Applicant must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of 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 Virtual Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by PRESCO to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the 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.

Moreover, PRESCO is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Mayors, Provincial

---

<sup>3</sup> For the e-mail address of the applicants, please see Page 11.



Governor and Local Legislative Bodies, and to submit proof of posting thereof.

PRESCO and all interested parties are also required to submit via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled virtual 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, which should also be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

PRESCO must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of PRESCO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

PRESCO 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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

PRESCO is hereby directed to file a copy of its Expository Presentation via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. PRESCO shall also be required, upon the

request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

PRESCO is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

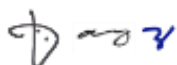
Finally, PRESCO, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

**SO ORDERED.**

Pasig City, 01 June 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*



LS: ema/arg/mccg.2021-036rc PRESCO IO.doc



**ERC CASE NO. 2021-036 RC**  
**ORDER/ 01 JUNE 2021**  
**PAGE 11 OF 11**

---

Copy Furnished:

1. Atty. Zenon S. Suarez  
*Counsel for PRESCO*  
No. 19 Bulacan Street, 10<sup>th</sup> Avenue,  
West Grace Park, Caloocan City  
E-mail: suarezzenon\_412@yahoo.com
2. Pampanga Rural Electric Service Cooperative, Inc. (PRESCO)  
*Applicant*  
Anao, Mexico, Pampanga
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit  
Commonwealth Ave., Quezon City
5. The Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
6. The House Committee on Energy  
Batasan Hills, Quezon City
7. Office of the Mayor  
Arayat, Pampanga
8. Office of the LGU Legislative Body  
Arayat, Pampanga
9. Office of the Mayor  
Magalang, Pampanga
10. Office of the LGU Legislative Body  
Magalang, Pampanga
11. Office of the Mayor  
Mexico, Pampanga
12. Office of the LGU Legislative Body  
Mexico, Pampanga
13. Office of the Mayor  
Sta. Ana, Pampanga
14. Office of the LGU Legislative Body  
Sta. Ana, Pampanga
15. Office of the Governor  
Province of Pampanga
16. Office of the LGU Legislative Body  
Province of Pampanga
17. Regulatory Operations Service-ERC  
17<sup>th</sup> Floor, Pacific Center Building  
San Miguel Avenue, Pasig City