

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



**IN THE MATTER OF THE  
APPLICATION FOR  
CONFIRMATION AND  
APPROVAL OF EMERGENCY  
CAPITAL EXPENDITURE  
PROJECT FOR 2020,  
NAMELY: PURCHASE AND  
INSTALLATION OF BRAND  
NEW 10 MVA POWER  
TRANSFORMER FOR BA-  
ANG SUBSTATION**

**ERC CASE NO. 2021-030 RC**

**MOUNTAIN PROVINCE  
ELECTRIC COOPERATIVE,  
INC. (MOPRECO),**

*Applicant.*

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**Promulgated:**

June 24, 2021

**ORDER**

On 26 April 2021, Mountain Province Electric Cooperative, Inc. (MOPRECO) filed an *Application* dated 22 September 2020 seeking the Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project for 2020 consisting of the Purchase and Installation of Brand New 10 MVA Power Transformer for Ba-Ang Substation located at Banao, Bauko, Mountain Province.

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

1. MOPRECO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Pospos, Upper Caluttit, Bontoc, Mountain Province;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in Mountain Province with ten (10) municipalities, namely: Bauko, Barlig, Besao, Bontoc, Natonin, Paracelis, Sabangan, Sadanga, Sagada and Tadian.

**LEGAL BASES FOR THE APPLICATION**

3. Pursuant to Republic Act No. 9136, ERC Resolution 26, Series of 2009 and other laws and rules, and in line with its mandate to provide safe, quality, efficient and reliable delivery of electric service to its consumers, MOPRECO submits the instant Application for the Honorable Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project for 2020, namely: Purchase and Installation of Brand New 10 MVA Power Transformer for Ba-Ang Substation located at Banao, Bauko, Mountain Province.

**STATEMENT OF FACTS**

4. MOPRECO's Ba-Ang Substation has an existing 3-833 KVA power transformer with a total rated capacity of 2.5 MVA. Based on the historical demand profile and loading analysis conducted, Ba-Ang Substation with the existing 3-833 KVA power transformers, has been operating on a fully loaded capacity since 2017;
5. Ba-Ang Substation's transformers had already reached a maximum loading percentage of 72.32% in 2017 due mainly to the commercialization of the municipalities within the franchise area and the energization of sitios under the Sitio Electrification Program (SEP) projects;
6. Under ERC Resolution No. 26, Series of 2009, it is specifically provided that, "a substation is considered fully loaded if the loading of the transformers exceeds 70% of the maximum rated capacity". Thus, the existing transformers in Ba-Ang Substation have already been considered fully loaded as of 2017;
7. Based on the load demand forecast conducted for Ba-Ang Substation, its transformers will be overloaded by year 2025 as its loading capacity would reach about 104.75%;
8. Also, the loading capacity of the transformers in Ba-Ang Substation is already non-compliant with the standards set forth in the provisions of the Philippine Grid Code (PGC) and the Philippine Distribution Code (PDC);
9. Further, pursuant to the provisions of Republic Act No. 6969 (RA 6969) otherwise known as the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990" and DENR Administrative Order No. 2004-01 (DENR AO 2004-01) for "Chemical Control Order (CCO) for Polychlorinated Biphenyls (PCBs)", transformers manufactured in the years 1990 and below are considered PBC-contaminated;
10. Considering that the existing 3-833 KVA (2.5 MVA) power transformers in Ba-Ang Substation were manufactured way

back in the year 1956, the same are considered as PCB contaminated under RA 6969 and DENR AO 2004-01 and should already be discarded;

11. From MOPRECO's technical analysis, it was determined that the purchase and installation of a brand new 10 MVA power transformer for Ba-Ang Substation is the most feasible solution to the address the problem.

#### **PROJECT DESCRIPTION**

12. The project subject of the instant Application involves the following activities, to wit:
  - a. Installation of new 10-MVA power transformer beside the existing 3-833 KVA (2.5 MVA) transformers at Ba-ang Substation; and
  - b. Installation of Disconnect switch, SF6, auto recloser, new gantry and power house.

#### **PROJECT JUSTIFICATION**

13. The proposed project is being offered primarily to meet the unprecedented increasing demand in MOPRECO's franchise area due to the commercialization of the municipalities and energization of sitios under the Sitio Electrification Program (SEP) projects. It shall address the load capacity problem of the existing 2.5 MVA Ba-Ang Substation and provide for an additional capacity to absorb the incoming demands, ensure continuous, safe and reliable operation and supply of electricity;
14. In addition, the protected devices will be replaced in compliance with the provisions of Philippine Grid Code (PGC) and Philippine Distribution Code (PDC);
15. Without the implementation of this project, it is expected that the substation would experience technical breakdown because of overloading. As a result, MOPRECO's franchise area served by the Ba-Ang substation would suffer series of power outages and interruptions, or worst, total black-out;
16. The installation of brand new 10-MVA power transformer would address the load capacity problem of the existing 2.5 MVA Ba-Ang Substation. Likewise, the substation would be able to cope with the increasing energy demand in the franchise area due to commercialization and energization of sitios under the SEP projects.

#### **PROJECT SCHEDULE**

17. The project will be started in October 2020 and is estimated to be completed in June 2021.

**PROJECT COST**

18. The estimated cost of the purchase and installation of brand new 10-MVA Power Transformer for Ba-Ang Substation is Thirty-Two Million Seven Hundred Fifty-Two Thousand Forty Pesos (PhP32,752,040.00). The amount was based on the updated 2018 NEA Price Index for the cost of each and every item.

**FINANCING PLAN**

19. The total cost of the project will be financed through a loan from the Rural Electrification Financing Corp. (REFC), at an interest rate of 4.3% per annum with quarterly repricing payable monthly for fifteen (15) years. Loan amortizations will be paid out of the cooperative's collections of Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

**RATE IMPACT**

20. The implementation of the proposed project will not entail any rate adjustment as shown in the Rate Impact Analysis, to wit:

	2020	2021	2022	2023	2024	2025	Total
<b>Forecasted Energy Sales, kWh</b>	22,545,982	23,658,110	24,817,357	26,033,408	27,309,045	28,106,622	152,470,524
<b>Cash balance beginning, PhP</b>	3,309,213	12,287,578	18,364,536	17,157,649	14,066,068	12,237,420	77,422,808
<b>CASH INFLOWS</b>							
<b>Current year collection @Po.5324/kWh</b>	12,003,481	12,595,578	13,212,761	13,860,186	14,539,335	14,963,966	81,175,307
<b>Loan proceeds from financial institutions, Emergency CAPEX</b>	32,752,040						32,752,040
<b>Loan proceeds from financial institutions, Reg. Multi-Year CAPEX</b>	31,557,968	25,033,696	21,047,322	17,746,728	0	0	95,385,714
<b>50% of income on leased properties</b>	114,886	126,375	139,012	152,913	168,205	185,025	886,416
<b>Total Cash Inflows</b>	79,737,588	50,097,903	52,818,018	49,857,112	30,598,519	30,096,596	293,205,735
<b>Available cash for disbursement</b>							
<b>CASH OUTFLOWS</b>							
<b>CAPEX Requirement, Emergency CAPEX</b>	32,752,040						32,752,040
<b>CAPEX Req't, Regular Multi-Year CAPEX</b>	31,557,968	25,033,696	21,047,322	17,746,728	0	0	95,385,714

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<b>Old Debt (old amortization)</b>	2,603,000	2,603,000	2,603,000	2,603,000			10,412,000
<b>New Amortization, Emergency CAPEX,</b>		0	4,000,377	4,000,377	4,000,377	4,000,377	16,001,508
<b>New Amortization, Reg. Multi-Year CAPEX</b>		3,854,532	6,912,180	9,482,927	11,650,536	11,650,536	43,550,711
<b>ERC Permit Fee, Emergency CAPEX</b>	245,640	0	0	0	0	0	245,640
<b>ERC Permit Fee, Reg. Multi-Year CAPEX</b>	236,685	187,753	157,855	133,100	0	0	715,393
<b>Total Cash Outflows</b>	67,395,333	31,678,980	34,720,734	33,966,133	15,650,913	15,650,913	199,063,077
<b>Cash Balance ending, PhP, excess(shortfall )</b>	12,342,255	18,418,923	18,097,284	15,890,979	14,947,605	14,445,683	94,142,728
<b>Excess (Shortfall) on RFSC, PhP/kWh</b>	-0.0150	-0.2461	-0.1968	-0.0780	-0.0149	0.0184	-0.0888

**SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS**

21. Finally, in compliance with the documentary as well as pre-filing requirements under ERC Resolution 26, Series of 2009 and the ERC Rules of Practice and Procedure, respectively, the following documents are being submitted herewith to from integral parts hereof, as follows, to wit:

Annex Markings	Description of Document
“A”	Executive Summary of the Emergency CAPEX Project
“B” and series	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Bontoc and Sangguniang Panlalawigan of Mountain Province
“C” and series	Proof of publication of the Application in a newspaper of general circulation in MOPRECO’s franchise area or where it principally operates.

**PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, MOPRECO’s Emergency Capital Expenditure Project for 2020 consisting of the Purchase and Installation of Brand New10 MVA Power Transformer for Ba-Ang Substation be confirmed and approved accordingly.

Other reliefs, 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 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)<sup>2</sup>:

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>13 July 2021</b> (Tuesday) at nine o'clock in the morning (9:00 AM)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and expository presentation
<b>20 July 2021</b> (Tuesday) at nine o'clock in the morning (9:00 AM)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence

**RELATIVE THERETO**, MOPRECO 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 their 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 Governors, the Mayors and the Local Government Unit (LGU) legislative bodies within MOPRECO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within MOPRECO's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearing thereon;

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

<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

- 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 hearing; 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 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 their 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 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 MOPRECO 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 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, except those covered by any motion for

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

confidential treatment of information, by all those making requests therefor, if any; and

- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, MOPRECO is hereby required to post on their 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 Governors and Local Legislative Bodies, and to submit proof of their posting thereof.

MOPRECO 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.

MOPRECO 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 MOPRECO 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.

MOPRECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever



communication medium that they 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.

MOPRECO is hereby directed to file a copy of their 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. MOPRECO shall also be required, upon the request of any stakeholder, to provide an advance copy of their 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.

MOPRECO is further 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 their 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.

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Finally, MOPRECO, including their authorized representative/s and witness/es, is 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 hearing.

**SO ORDERED.**

Pasig City, 11 June 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS: MBVM/CLB/MCCG



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Copy Furnished:

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7. Office of the Municipal Mayor  
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9. Office of the Municipal Mayor  
Municipality of Barlig, Mountain Province
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Municipality of Barlig, Mountain Province
11. Office of the Municipal Mayor  
Municipality of Besao, Mountain Province
12. Office of the Local Government Unit (LGU) Legislative Body  
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15. Office of the Municipal Mayor  
Municipality of Natonin, Mountain Province
16. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Natonin, Mountain Province
17. Office of the Municipal Mayor  
Municipality of Paracelis, Mountain Province
18. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Paracelis, Mountain Province
19. Office of the Municipal Mayor  
Municipality of Sabangan, Mountain Province
20. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Sabangan, Mountain Province
21. Office of the Municipal Mayor  
Municipality of Sadanga Mountain Province

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22. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Sadanga, Mountain Province
23. Office of the Municipal Mayor  
Municipality of Sagada, Mountain Province
24. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Sagada, Mountain Province
25. Office of the Municipal Mayor  
Municipality of Tadian, Mountain Province
26. Office of the Local Government Unit (LGU) Legislative Body  
Municipality of Tadian, Mountain Province
27. Office of the Governor  
Mountain Province
28. Office of the Local Government Unit (LGU) Legislative Body  
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29. Office of the President of PCCI  
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