

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF PROPOSED  
ELECTRIC CAPITAL  
EXPENDITURE PROJECTS  
FOR THE YEAR 2022 TO  
2024 AND AUTHORITY TO  
SECURE LOAN FROM NEA  
AND/OR OTHER BANKS AS  
THE CASE MAYBE, WITH  
PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2021-066 RC**

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

**Promulgated:**  
September 10, 2021

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**ORDER**

On 23 August 2021, Aurora Electric Cooperative Inc. (AURELCO) filed an *Application* dated 08 June 2021, seeking the Commission's approval of its proposed electric Capital Expenditure (CAPEX) projects for the Year 2022 to 2024 and authority to secure loan from the National Electrification Administration (NEA) and/or other banks with prayer for provisional authority.

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

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines with 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

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an electric light and power services in the eight (8) municipalities of the province of Aurora, namely the Municipality of Baler, San Luis, Maria Aurora, Dipaculao, Casiguran, Dinalungan, Dilasag, and Dingalan. Also serving the Municipality of Dinapigue in the province of Isabela, Alfonso Castaneda 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 53,342 consumers; 48,861 are residential, 4,477 Low Voltage and 4 High Voltage customers;
4. That the applicant AURELCO's energy demand reached approximately 64,196,934 kWhr at the end of 2020 and forecast estimates indicate that the applicant will have an energy demand growth rate of 8.05% from 2021-2024. It is expected that the energy demand will reach as high as 98,841,266 kWhr at the year 2024;
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 eight (8) 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:

**I. SUMMARY OF THE PROPOSED CAPITAL PROJECTS (2022-2024)**

No.	PROJECT NAME	PROJECT TYPE	PROPOSED PROJECT COST (PHP)			TOTAL (Php)
			2022	2023	2024	
	Primary Distribution Development Projects					
01	Replacement of Rotten Poles and Crossarms	Safety	3,365,500.00	3,340,900.00	3,340,900.00	10,047,300.00
02	Installation of Additional Distribution Transformers	Capacity	5,149,000.00	5,575,000.00	5,251,000.00	15,975,000.00
03	Procurement of line, hardware materials, equipment and conductor	Reliability	6,695,115.00	6,695,115.00	6,695,115.00	20,085,345.00
04	Buffer Stock	Reliability	36,430,205.00	36,430,205.00	36,430,205.00	109,290,615.00
	Other Network Development Projects					
05	New kWhr meter and service drop wires for service dropping (new customers)	Load Growth	4,767,002.00	4,638,330.00	4,519,294.00	13,924,626.00
06	New kWhr meter for Change meter	System Loss	3,165,050.00	3,165,050.00	3,165,050.00	9,495,150.00
	Non-Network Development Projects					
07	Lineman tools/safety gadgets	Safety	1,739,800.00	1,338,800.00	1,367,100.00	4,445,700.00
08	Lot Purchase and Construction of Service Center Building in Dinapigue, Isabella	Land Right and Building Structure	1,000,000.00	3,999,846.98		4,999,846.98
	<b>TOTAL</b>		<b>62,311,672.00</b>	<b>65,183,246.98</b>	<b>60,768,664.00</b>	<b>188,263,582.98</b>

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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**

	2021	2022	2023	2024	Total
Forecast energy sales, kWh	66,285,938	71,308,178	76,264,796	81,154,856	295,013,768.00
RFSC Rate Php/kWh (0.9512)					
Cash Balance beginning, Php excess (shortfall)	29,518,922.98	(36,611,647.97)	(104,845,009.92)	(171,913,829.24)	29,518,922.98
Cash Inflows					
Actual RFSC Collection Php	63,051,184.23	67,828,338.91	72,543,073.96	77,194,499.03	280,617,096.12
50% of income on leased properties	152,422.50	152,422.50	152,422.50	152,422.50	609,690.00
Proposed loan proceeds from financial institutions – Php (CAPEX 2022-2024)		37,430,205.00	40,430,051.98	36,430,205.00	114,290,461.98
Proposed Loan Proceeds from financial Institution (ERC Case No. 2018-024 RC) – CAPEX 2019 - 2021	143,844,892.88				143,844,892.88
Total Cash Inflows Php	207,048,499.61	105,410,966.41	113,125,548.44	113,777,126.53	539,362,140.98
Available cash for disbursement	236,567,422.59	68,799,318.44	8,280,538.51	(58,136,702.72)	568,881,063.96
Cash Outflows					
Proposed CAPEX requirement Php (CAPEX 2022-2024)		62,311,672.00	65,183,246.98	60,768,664.00	188,263,582.98
Proposed CAPEX requirement Php (ERC Case No. 2018-024 RC)	213,127,464.73				213,127,464.73
Proposed Annual amortization (new CAPEX 2022-2024), Php		5,054,780.41	10,514,676.62	15,434,411.54	31,003,868.57
Old debt (existing loan amortization)	8,562,394.00	7,720,808.00	7,595,968.00	7,471,128.00	31,350,298.00
Approved Annual Amortization (ERC Case No. 2017-114 RC) CAPEX 2014-2018	29,636,055.84	77,835,030.42	76,156,901.80	74,404,363.75	258,032,351.18
Proposed annual amortization Php (ERC No. 2018-102 RC) EMERGENCY CAPEX	5,006,880.00	5,006,880.00	5,006,880.00	5,006,880.00	20,027,520.00
Proposed annual amortization Php (ERC Case No. 2018-024 RC) CAPEX 2019-2021	15,247,820.00	15,247,820.00	15,247,820.00	15,247,820.00	60,991,280.00
Proposed ERC Permit Fee, Php (CAPEX 2022-2024)		467,337.54	488,874.35	455,764.98	1,411,976.87
Proposed ERC Permit Fee, Php (ERC Case No. 2018-102 RC) CAPEX 2019-2021	1,598,455.99				1,598,455.99
Total Cash Outflows, Php	273,179,070.56	173,644,328.37	180,194,367.75	178,789,032.27	805,806,798.95
Cash balance ending, Php, excess/(shortfall)	(36,611,647.97)	(104,845,009.92)	(171,913,829.24)	(236,925,734.98)	(236,925,734.98)
Excess (shortfall) on RFSC, Php/kWh	(0.5523)	(1.4703)	(2.2542)	(2,9194)	(0.8031)

Reinvestment Fund Rate: 0.9512

Lease Properties Annual Income: 304,845

8. The total cost of the Proposed Capital Expenditure Projects for the Year 2022-2024 is in the amount of Php 188,263,582.98. Based on the Summary of Proposed Capital

Expenditure Projects for the Year 2022-2024, AURELCO needs to apply loan to NEA amounting to Php 114,290,461.98 with the rate of 6% per annum payable in 10 years and the remaining balance of Php 73,973,121.00 will be funded by Reinvestment Fund for Sustainable CAPEX (RFSC);

9. AURELCO made a financial projection using the projected kwh sales as basis of its computation for the year 2021 to 2024 with the total of PhP 295,013,768 kWh. This includes also the balance of Reinvestment Fund for the year 2020 amounting to PhP 29,518,922.98 as per Audited Financial Report and the Utilization of Reinvestment Fund for Sustainable CAPEX (RFSC) Report;
10. AURELCO prepared the simulation of the Indicative Rate Impact of the Project which shows that AURELCO need to secure loan to NEA with the rate of 6% per annum payable within 10 years, because the implementation of the project will affect the cash outflow due to amortization cost. AURELCO found out also based on the simulation that the existing Reinvestment Fund for Sustainable Capital Expenditures (RFSC) of 0.9512/kWh is not sufficient to finance the amortization of its proposed projects with a deficit/shortfall of 0.8031/ kWh;
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. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submit the following documents, as follows:
  - (a) Executive Summary
  - (b) Description of the Project; Justification and Impact study on the System and Option/Alternatives considered in lieu of the proposed project;
  - (c) Project Financing Plan
  - (d) Five-Year Historical and Forecast planning Data
  - (e) Technical Analysis
  - (f) Project Financial and Economic Cost Analysis
  - (g) Project Cost Estimates
  - (h) Financing
  - (i) Indicative Rate Impact of the Project
  - (j) Project Duration

- (k) Single Line Diagram
  - (l) Conceptual Engineering Design and Drawings
  - (m) Board Resolution approving the proposed projects
  - (n) Sworn Statement/ Verification
  - (o) Compliance with the pre-filing requirements:
    - i. AURELCO Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents;
    - ii. 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
    - iii. 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, foregoing 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 (*sic*) notice and hearing and consideration, the application be approved permanently.

Other relief/s just or equitable in the premises are likewise prayed for under the premises (*sic*).

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 and 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>06 October 2021</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and expository presentation
<b>13 October 2021</b> (Wednesday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence

Accordingly, AURELCO is hereby directed to host the virtual hearings at **AURELCO's Principal Office at Brgy. Reserva, Baler, Aurora** 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, AURELCO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, AURELCO 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 Mayor, and the Local Government Unit (LGU) legislative body within AURELCO's franchise area for the appropriate posting thereof on their respective bulletin boards;

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<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filing 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.

- 3) Inform the consumers within AURELCO's 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 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 scheduled initial virtual hearing, AURELCO must submit to the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), its written compliance to the aforementioned directives by attaching therewith, methodically arranged and duly marked, the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit 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, Mayor and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by AURELCO to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;

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

- 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 proofs of compliance with the requirements of the Commission.

Moreover, AURELCO is hereby required to post on its bulletin boards, the scanned copies of the jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Mayor, Provincial Governor and Local Legislative Body and to submit proof of its posting thereof.

AURELCO and all interested parties are also required to submit to the Commission 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 initial 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.

AURELCO 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 AURELCO 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.

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

AURELCO 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. AURELCO 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.

AURELCO 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.

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Finally, AURELCO, 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 September 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS: SQD/LSP/MCCG

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**Copy Furnished:**

1. Atty. Zenon S. Suarez  
*Counsel for AURELCO*  
No. 19 Bulacan Street, 10<sup>th</sup> Avenue,  
West Grace Park, Caloocan City  
Email: suarezzenon\_412@yahoo.com
2. Aurora Electric Cooperative, Inc. (AURELCO)  
*Applicant*  
Brgy. Reserva, Baler, Aurora
3. Office of the Provincial Governor  
Province of Aurora
4. Office of the LGU legislative body  
Province of Aurora
5. Office of the Mayor  
Baler, Aurora
6. Office of the LGU legislative body  
Baler, Aurora
7. Office of the Mayor  
Casiguran, Aurora
8. Office of the LGU legislative body  
Casiguran, Aurora
9. Office of the Mayor  
Dilasag, Aurora
10. Office of the LGU legislative body  
Dilasag, Aurora
11. Office of the Mayor  
Dinalungan, Aurora
12. Office of the LGU legislative body  
Dinalungan, Aurora
13. Office of the Mayor  
Dingalan, Aurora
14. Office of the LGU legislative body  
Dingalan, Aurora
15. Office of the Mayor  
Dipaculao, Aurora
16. Office of the LGU legislative body  
Dipaculao, Aurora
17. Office of the Mayor  
Maria Aurora, Aurora
18. Office of the LGU legislative body  
Maria Aurora, Aurora
19. Office of the Mayor  
San Luis, Aurora
20. Office of the LGU legislative body  
San Luis, Aurora

21. Office of the Provincial Governor  
Province of Isabela
22. Office of the LGU legislative body  
Province of Isabela
23. Office of the Mayor  
Dinapigue, Isabela
24. Office of the LGU legislative body  
Dinapigue, Isabela
25. Office of the Provincial Governor  
Province of Nueva Vizcaya
26. Office of the LGU legislative body  
Province of Nueva Vizcaya
27. Office of the Mayor  
Alfonso Castaneda, Nueva Vizcaya
28. Office of the LGU legislative body  
Alfonso Castaneda, Nueva Vizcaya
29. Office of the Provincial Governor  
Province of Quezon
30. Office of the LGU legislative body  
Province of Quezon
31. Office of the Mayor  
General Nakar, Quezon
32. Office of the LGU legislative body  
General Nakar, Quezon
33. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City  
docket@osg.gov.ph
34. Commission on Audit  
Commonwealth Avenue, Quezon City  
citizensdesk@coa.gov.ph
35. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City  
email@wingatchalian.com
36. House Committee on Energy  
Batasan Hills, Quezon City  
committees@house.gov.ph
37. Regulatory Operations Service  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center, San Miguel Avenue, Pasig City