

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF CAPITAL  
EXPENDITURE PLAN FOR  
YEARS 2019 TO 2021**

**ERC CASE NO. 2021-082 RC**

**NEGROS ORIENTAL II  
ELECTRIC COOPERATIVE  
(NORECO II),**

*Applicant.*

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**Promulgated:**  
October 20, 2021

**ORDER**

On 06 October 2021, Negros Oriental II Electric Cooperative, Inc. (NORECO II) filed an *Application* dated 25 August 2021, seeking the Commission's approval of its Capital Expenditure (CAPEX) plan for years 2019 to 2021.

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

1. NORECO II is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Real St., Dumaguete City;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the cities of Bayawan, Tanjay and Dumaguete, and the municipalities of Amlan, Bacong, Basay, Dauin, Pamplona, San Jose, Siaton, Sibulan, Sta. Catalina, Valencia and Zamboanguita, all in the province of Negros Oriental.

LEGAL BASES FOR THE APPLICATION

3. Pursuant to Republic Act No. 9136, ERC Resolution [No.] 26, Series of 2009 and other pertinent rules, and in line with its mandate to provide safe, quality, efficient and reliable electric service to electric consumers in its franchise area, NORECO II

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seeks approval, confirmation and authority from this Honorable Commission to implement its CAPEX Plan for Years 2019 to 2021.

THE CAPEX PROJECTS

4. The projects under the CAPEX Plan for Years 2019 to 2021 are summarized hereunder, as follows:

ITEM	PROJECT TITLE	PROJECT TYPE	PROJECT COST (PhP)			
			2019	2020	2021	TOTAL
1	Rehabilitation of 3-phase backbone line at Various Area	Safety			11,835,500.00	11,835,500.00
2	Replacement of dilapidated poles	Safety	12,384,000.00	8,366,300.00	16,800,000.00	37,550,300.00
3	Construction of New 10MVA Substation at Brgy. Mainit, Sibulan	Capacity			47,260,000.00	47,260,000.00
4	Line conversion from single-phase to three-phase distribution line	Capacity			1,840,000.00	1,840,000.00
5	Procurement of Distribution Transformer of different Capacity for overload DTs	Capacity	14,183,200.00	14,703,106.00	23,240,000.00	52,126,306.00
6	Procurement of Service Drop Wire and kWh-Meter for New Customer Connections	Capacity	12,484,854	9,865,900	41,245,545	63,596,299.00
7	Extension of facilities (expansion of distribution lines)	Power Quality			7,233,464.00	7,233,464.00
8	Construction of 2kms 3-Phase Primary Line to tie-up proposed Feeder 12 of Bagacay Substation	Reliability			3,150,000.00	3,150,000.00
9	Procurement of 3 Phase Recloser for Backbone line Protection	Reliability			7,700,000.00	7,700,000.00
10	Procurement of kWh-Meters for replacement of defective Meters	System Loss	12,703,146.00		24,605,400.00	37,308,546.00
11	Procurement of Smart Meter	System Loss			879,000.00	879,000.00
12	Procurement and Installation of 18 sets 13.2kV Substation Feeder Metering System	System Loss	4,932,000.00			4,932,000.00
13	Procurement of SCADA System	Service Efficiency Assessment			6,000,000.00	6,000,000.00
<b>GRAND TOTAL</b>			<b>56,687,200.00</b>	<b>32,935,306.00</b>	<b>191,788,909.00</b>	<b>281,411,415.00</b>

CAPITAL EXPENDITURE PLAN

5. The projects are discussed in detail in NORECO II's Capital Expenditure Plan for Years 2019 to 2020 with technical and economic/financial analysis and supporting data presented in ERC-prescribed templates.

FINANCIAL AND ECONOMIC EVALUATION

- [6.] Financing Plan. To finance the CAPEX projects, NORECO II proposes to source funding from its Reinvestment Fund for Sustainable CAPEX (RFSC) collections and the proceeds on leased properties, with details, as follows:

PROPOSED FUNDING SOURCES

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED (Php)	2019	2020	2021	TOTAL
Beginning Balance, RFSC		89,778,620.35			89,778,620.35
RFSC	281,411,415.00	92,688,127.48	93,763,158.20	102,718,554.52	289,169,840.20
50% of income on leased properties				4,785,000.00	4,785,000.00
<b>TOTAL COST TO FINANCE</b>	<b>281,411,415.00</b>	<b>182,466,747.83</b>	<b>93,763,158.20</b>	<b>107,503,554.52</b>	<b>383,733,460.55</b>

- [7.] Cash Flow and Rate Impact Analysis. NORECO II's cash flow shows that its RFSC funds for years 2019 and 2020 are sufficient to finance the corresponding year's CAPEX requirement. After taking into consideration some unforeseen events and factors that may arise throughout the normal course of business, NORECO II forecasted its 2021 energy sales at 368,452,115. Moreover, the forecasted revenues derived from its existing RFSC rate are sufficient to fund new and existing CAPEX Projects for year 2021 leading to a forecasted excess cash of ₱22,190,209.94 (₱0.060225 / kWh) by the end of the year. Presented below are the actual and the forecasted figures of cash inflows and outflows from 2019 to 2024.

EXCERPTS FROM CASH FLOW ANALYSIS SHOWING THE RATE IMPACT IN TERMS OF RATE PER KWH

	Actual Amount		Forecasted				TOTAL
	2019	2020	2021	2022	2023	2024	
Forecasted energy sales, kWh	329,220,892	323,161,554	368,452,115	388,737,426	408,545,554	427,861,266	2,245,978,806.86
Cash balance beginning, PhP, excess/(shortfall)	89,778,620.35	125,779,547.83	186,607,400.03	22,190,209.94	135,348,984.42	254,029,948.04	89,778,620.35
<b>CASH INFLOWS</b>							
Current year collection @PhP0.2904/kWh	92,688,127.48	93,763,158.20	102,718,554.52	108,373,774.49	113,895,963.62	119,280,875.30	630,720,453.61
50% of income on leased properties			4,785,000.00	4,785,000.00	4,785,000.00	4,785,000.00	19,140,000.00

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loan proceeds from financial institutions, PhP	-	-	-	-	-	-	-
Total Cash Inflows, PhP	92,688,127.48	93,763,158.20	107,503,554.52	113,158,774.49	118,680,963.62	124,065,875.30	649,860,453.61
Available cash for disbursement	182,466,747.83	219,542,706.03	294,110,954.55	135,348,984.42	254,029,948.04	378,095,823.35	739,639,073.96
<b>CASH OUTFLOWS</b>							
CAPEX requirement	56,687,200.00	32,935,306.00	191,788,909.00	-	-	-	281,411,415.00
Previous CAPEX requirement			78,021,250.00				
new amortization (new CAPEX), PhP	-	-	-	-	-	-	-
old debt, PhP							-
ERC Permit Fee, PhP			2,110,585.61	-	-	-	2,110,585.61
Total Cash Outflows, PhP	56,687,200.00	32,935,306.00	271,920,744.61	-	-	-	283,522,000.61
Cash balance ending, PhP, excess/(shortfall)	125,779,547.83	186,607,400.03	22,190,209.94	135,348,984.42	254,029,948.04	378,095,823.35	378,095,823.35
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	0.382052	0.577443	0.060225	0.348176	0.621791	0.883688	0.168343

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

- [8.] NORECO II repleads foregoing allegations as may be material herein.
- [9.] As shown in the Table of the CAPEX Projects, some of the projects may require implementation while the instant Application is pending evaluation of the Honorable Commission.
- [10.] Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects.
- [11.] In view thereof, NORECO II respectfully seeks permission from the Honorable Commission to implement those projects while the instant application is pending, as may be deemed necessary and urgent under prevailing circumstances, to enable the cooperative to deliver a safe, efficient and more reliable electric service to its consumers.

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

- [12.] Finally, in compliance with the documentary as well as pre-filing requirements for the instant application, NORECO II is submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Description of Documents
A	Capital Expenditure Plan for Years 2019 to 2021

B	Affidavit of Posting of the Notice To Consumers
B-1	Notice To Consumers
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Judicial Affidavit in Support of the Motion for Provisional Authority
E series	Proof of furnishing of copies of the Application to the Mayor's Office and Sangguniang Panlungsod of Dumaguete City and Governor's Office and Sangguniang Panlalawigan of Negros Oriental
F series	Proof of publication of the Application in a newspaper of general circulation in NORECO II's franchise area or where it principally operates

**PRAYER**

WHEREFORE, premises considered, Applicant Negros Oriental II Electric Cooperative (NORECO II) respectfully prays of this Honorable Commission that:

1. Upon initial review of the instant application or pending evaluation thereof, the cooperative be permitted to implement any of the proposed projects as may be deemed necessary and urgent under prevailing circumstances; and
2. After due notice and hearing, the Capital Expenditure Plan for Years 2019 to 2021 be authorized 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 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>:

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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.

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>12 November 2021</b> (Friday) 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>19 November 2021</b> (Friday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence

Accordingly, NORECO II is hereby directed to host the virtual hearings at **NORECO II's Principal Office at Real St., Dumaguete City** 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, NORECO II shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, NORECO II 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 NORECO II's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within NORECO II'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, NORECO II 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 NORECO II 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

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

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

Moreover, NORECO II 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.

NORECO II 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.

NORECO II 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 NORECO II 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.

NORECO II 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.

NORECO II 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. NORECO II 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.

NORECO II 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, NORECO II, 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, 13 October 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. Dechavez Lerios-Amboy And Evangelista Law Offices  
Thru: Atty. Ditas A. Lerios-Amboy  
*Counsel for* Negros Oriental II Electric Cooperative Inc. (NORECO II)  
Unit 2008, Tycoon Centre  
Pearl Drive, Ortigas Center  
Pasig City 1605  
Email: [powerlawfirm@gmail.com](mailto:powerlawfirm@gmail.com)
2. Negros Oriental II Electric Cooperative Inc. (NORECO II)  
*Applicant*  
Real St., Dumaguete City  
Email: [noreco2.tso@gmail.com](mailto:noreco2.tso@gmail.com)
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City  
[docket@osg.gov.ph](mailto:docket@osg.gov.ph)
4. Commission on Audit  
Commonwealth Avenue, Quezon City  
[citizensdesk@coa.gov.ph](mailto:citizensdesk@coa.gov.ph)
5. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City  
[email@wingatchalian.com](mailto:email@wingatchalian.com)
6. House Committee on Energy  
Batasan Hills, Quezon City  
[committees@house.gov.ph](mailto:committees@house.gov.ph)
7. Office of the Governor  
Province of Negros Oriental
8. Office of the LGU Legislative Body  
Province of Negros Oriental
9. Office of the City Mayor  
Bayawan City
10. Office of the LGU Legislative Body  
Bayawan City
11. Office of the City Mayor  
Dumaguete City
12. Office of the LGU Legislative Body  
Dumaguete City
13. Office of the City Mayor  
Tanjay City
14. Office of the LGU Legislative Body  
Tanjay City
15. Office of the Municipal Mayor  
Amlan, Negros Oriental
16. Office of the LGU Legislative Body  
Amlan, Negros Oriental
17. Office of the Municipal Mayor  
Bacong, Negros Oriental
18. Office of the LGU Legislative Body  
Bacong, Negros Oriental

19. Office of the Municipal Mayor  
Basay, Negros Oriental
20. Office of the LGU Legislative Body  
Basay, Negros Oriental
21. Office of the Municipal Mayor  
Dauin, Negros Oriental
22. Office of the LGU Legislative Body  
Dauin, Negros Oriental
23. Office of the Municipal Mayor  
San Jose, Negros Oriental
24. Office of the LGU Legislative Body  
San Jose, Negros Oriental
25. Office of the Municipal Mayor  
Pamplona, Negros Oriental
26. Office of the LGU Legislative Body  
Pamplona, Negros Oriental
27. Office of the Municipal Mayor  
Siaton, Negros Oriental
28. Office of the LGU Legislative Body  
Siaton, Negros Oriental
29. Office of the Municipal Mayor  
Santa Catalina, Negros Oriental
30. Office of the LGU Legislative Body  
Santa Catalina, Negros Oriental
31. Office of the Municipal Mayor  
Sibulan, Negros Oriental
32. Office of the LGU Legislative Body  
Sibulan, Negros Oriental
33. Office of the Municipal Mayor  
Valencia, Negros Oriental
34. Office of the LGU Legislative Body  
Valencia Negros Oriental
35. Office of the Municipal Mayor  
Zamboanguita, Negros Oriental
36. Office of the LGU Legislative Body  
Zamboanguita, Negros Oriental
37. Regulatory Operations Service  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center, San Miguel Avenue, Pasig City