

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

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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 Capital Expenditure (CAPEX) plan for years 2019 to 2021.

The pertinent allegations in 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.

ERC CASE NO. 2021-082 RC
NOTICE OF VIRTUAL HEARING/ 13 OCTOBER 2021
PAGE 2 OF 8

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 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

ERC CASE NO. 2021-082 RC
NOTICE OF VIRTUAL HEARING/ 13 OCTOBER 2021
PAGE 3 OF 8

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
GRAND TOTAL			56,687,200.00	32,935,306.00	191,788,909.00	281,411,415.00

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
TOTAL COST TO FINANCE	281,411,415.00	182,466,747.83	93,763,158.20	107,503,554.52	383,733,460.55

- [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.

ERC CASE NO. 2021-082 RC
NOTICE OF VIRTUAL HEARING/ 13 OCTOBER 2021
PAGE 4 OF 8

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
CASH INFLOWS							
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
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
CASH OUTFLOWS							
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
Excess/(shortfall) on RFSC, PhP/kWh	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.

ERC CASE NO. 2021-082 RC
NOTICE OF VIRTUAL HEARING/ 13 OCTOBER 2021
PAGE 6 OF 8

The Commission has set the *Application* 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 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

Date	Platform	Activity
12 November 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
19 November 2021 (Friday) at nine o'clock in the morning (9:00 A.M)	Microsoft Teams	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.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through 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.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and

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

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

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ERC CASE NO. 2021-082 RC
NOTICE OF VIRTUAL HEARING/ 13 OCTOBER 2021
PAGE 8 OF 8

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 13th day of October 2021 in Pasig City.



AGNES VST DEVANADERA
Chairperson and CEO


LS: SQD/LSP/MCCG

