

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 RE: PURCHASE
AND INSTALLATION OF
NEW 10 MVA POWER
TRANSFORMER IN
REPLACEMENT OF
DAMAGED 5 MVA POWER
TRANSFORMER AT
CALINTAAN SUBSTATION**

ERC CASE NO. 2019-059 RC

**CAMARINES NORTE
ELECTRIC COOPERATIVE,
INC. (CANORECO),
Applicant.**

Promulgated:
SEP 24 2019

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 08 August 2019, the Camarines Norte Electric Cooperative, Inc. (CANORECO) filed an *Application* dated 26 April 2019, seeking for the approval of Emergency Capital Expenditure (CAPEX) regarding the purchase and installation of new 10 MVA power transformer in replacement of the damaged 5 MVA power transformer at Calintaan Substation.

In the said *Application*, CANORECO alleged among others, the following:

1. CANORECO 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 J.P. Rizal St., Brgy. 1, Daet, Camarines Norte;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the following municipalities

of the province of Camarines Norte, namely: Basud, Daet, Labo, San Lorenzo Ruiz, San Vicente, Talisay, Jose Panganiban, Vinzons, Paracale, Capalonga, Sta. Elena and Mercedes.

LEGAL BASIS 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 electric service to its consumers, CANORECO submits for the Honorable Commission's confirmation and approval its Emergency Capital Expenditure (CAPEX) Project, to wit: immediate purchase and installation of a New 10 MVA Power Transformer in replacement of the busted 5MVA Power Transformer at Calintaan Substation which is being rented from the National Grid Corporation of the Philippines (NGCP).

THE ANTECEDENT FACTS

4. CANORECO's Calintaan 5MVA Substation located at Brgy. Calintaan, Talisay, Camarines Norte, is one of the two oldest substations of the Cooperative, having been installed way back in 1975 or more than forty (40) years ago;
5. The power transformer at the Calintaan 5MVA Substation is just being rented by CANORECO from the National Transmission Corp. (TRANSCO), and subsequently from the National Grid Corporation of the Phils. (NGCP). It has been the TRANSCO/NGCP which is maintaining the power transformer;
6. On October 19, 2018, while the NGCP team was undertaking annual preventive maintenance at the Calintaan 5MVA Substation, the power transformer got busted. Under no specific cause of fault on the distribution line and carrying only an average load, it just ceased from functioning. After the insulation power factor tests were conducted, it was found that the insulation system of the power transformer is in critical status and falls below the minimum standard. It was declared that the power transformer is beyond repair and needs immediately replacement to avoid failure and breakdown.
7. As a consequence, immediate alternative source of power supply was provided to the affected areas through the installation of an interconnection between other substation feeder lines. Although power supply was immediately restored in all affected areas, low voltage resulted which could hardly be solved by mere installation of line capacitors because the size of wire of existing feeder lines are relatively small compared to

the load. If this scenario goes on unabated, line losses will increase.

8. The existing load of Calintaan 5MVA Substation was accommodated by nearby substations, the Calintaan 10MVA Substation and the Lag-on 10MVA Substation. The load transfer however, resulted to overloading of Calintaan 10MVA Substation.
9. Further, the entire situation resulted in major problems affecting the electrical network or system in the area which has direct impact to the reliability and efficiency of power supply to customers particularly in the Daet North feeder line.

PROJECT DESCRIPTION

10. The project subject of the instant application is the emergency purchase, installation and commissioning of a Brand New 10MVA Power Transformer to replace the damaged NGCP-owned 5MVA Power Transformer at Calintaan Substation, with the following specifications:

Shihlin Electric Power Transformer, 10/12.5 MVA, 3-Phase, 60 HZ, ONAN/ONAF cooling, 67 KV Pri./13.200-7.620KV sec. with BCT, Delta-Wye connection with neutral ground 7.5% of below impedance, BIL 350KV, with De-Energized Tap Changer complete with protective relays, meters, annunciator, Buchholz, Control Panels and wirings accessories.

PROJECT SCHEDULE

11. The first part of the project started with pre-engineering works which include the preparation of specifications and design, and down to the delivery of the unit to the site. The second part is the installation of the equipment which includes the removal of the defective 5MVA unit, installation and assembly of the new unit including bushings, radiator, conservator tank, wirings, relays and monitoring devices, refilling of transformer oil, testing and commissioning.
12. The above works were started on November 29, 2018 and the power transformer was energized on December 22, 2018. Other labor works are still on-going at the present.

PROJECT FINANCING

13. The total cost of the project in the amount of Thirty Five Million Pesos (PhP35,000,000.00) shall be funded through a loan from the Rural Electrification Financing Corp. (REFC) with a term of ten (10) years with 7.5% diminishing interest rate per annum. CANORECO shall use its projected revenues from its Reinvestment Fund for Sustainable Capital Expenditure (RFSC) collections to repay the annual amortization of the loan.

RATE IMPACT

14. The emergency CAPEX plan will have a reasonable and insignificant rate impact which has a nominal effect in financing the project including debt service for old debts from approved CAPEX projects. It does not require an additional revenue requirement since it can be sustained from current collection of RFSC.

**JUSTIFICATIONS AND BENEFITS
TO BE DELIVERED BY THE PROJECT**

15. The busted power transformer at Calintaan 5MVA Substation, which is owned by NGCP and merely rented by CANORECO, was installed way back in 1975 and has already reached its asset life and declared beyond repair. As such, it is not practical and technically efficient to re-install the unit. Moreover, said unit is relatively small and can no longer cater to the increasing future demand in the area. Thus, the procurement of a brand new unit power transformer with higher capacity of 10MVA, will bring about the following benefits:
1. There will be sufficient capacity of power supply in the area to cater the increasing demand in the future;
 2. Substation load management and load equalization between substations especially during period of maintenance will be achieved;
 3. The load of 3.31MW will be returned to the new 10MVA Substation. Therefore, the Daet North Feeder (Calintaan 10MVA old substation) will be relieved of its 93% loading. Its load will be normalized upon energization of the new substation;
 4. System capacity due to overloading will be corrected and improved;
 5. The pending applications of big loads customers will be processed and accommodated;

6. Customer satisfaction and economic development will be improved due to reliable power supply;
7. No more consumer complaints regarding rotational schedule of power interruptions during peak load period; and
8. Loss of revenue will be avoided and customers will be encouraged to pay on time.

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

16. Finally, in compliance with the documentary requirements under ERC Resolution No. 26, Series of 2009 and pre-filing requirements under ERC Rules of Practice and Procedure, CANORECO is submitting herewith the following documents to form integral parts of this Application as follows, to wit:

Annex Markings	Nature of Document
"A"	Executive Summary of the Project
"B" and series	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Daet and Sangguniang Panlalawigan of Camarines Norte
"C" and series	Proof of publication of the Application in a newspaper of general circulation in CANORECO's franchise area or where it principally operates.

PRAYER

WHEREFORE, premises considered, CANORECO respectfully prays of this Honorable Commission that after due notice and hearing, the purchase and installation of the Brand New 10MVA Power Transformer in replacement of the busted 5MVA Power Transformer at the Calintaan Substation be confirmed and approved accordingly.

Other equitable reliefs are likewise prayed for.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **14 November 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.) at CANORECO's Main Office at J.P. Rizal St., Brgy. 1, Daet, Camarines Norte.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and 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.


All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC 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 and address of such person;
- 2) A concise statement of the opposition or comment; and
- 3) The grounds relied upon.

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All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA and PAUL M. CERVANTES** Energy Regulatory Commission, this 12th day of September 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal Service

LS: JMS/BSA/GLO
