

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF FORCE  
MAJEURE CAPEX  
PROJECT:  
(REHABILITATION OF  
DISTRIBUTION LINES DUE  
TO DAMAGE CAUSED BY  
NATURAL CALAMITY-  
TYPHOONS KAREN AND  
LAWIN), WITH AUTHORITY  
TO SECURE LOANS FROM  
NEA AND PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-010 RC**

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

**D O C K E T E D**  
Date: MAY 17 2017  
By: [Signature]

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 17 February 2017, Aurora Electric Cooperative, Inc. (AURELCO) filed an *Application* seeking the Commission's approval of its force majeure capital expenditure project for the rehabilitation of distribution lines due to damage caused by natural calamity (Typhoons Karen and Lawin), with authority to secure loans from the National Electrification Administration (NEA) and prayer for the issuance of provisional authority.

AURELCO alleged the following in its Application:

1. AURORA ELECTRIC COOPERATIVE, INC. (AURELCO), is a non-stock non-profit electric cooperative organized and existing under and by virtue of the provisions of P. D. 269 as amended by P.D. 1645, with principal office address located at Brgy. Reserva,

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Baler, Aurora, represented herein by its General Manager, ENGR. NOEL DV. VEDAD;

2. AURELCO, being an Electric Cooperative, has been granted by the National Electrification Administration (NEA) a 50-year franchise to distribute electric service to its member-consumers in the Municipalities of Baler, Casiguran, Dinalungan, Dipaculao, Maria Aurora, San Luis, Dilasag, Dingalan all in the province of Aurora, Dinapigue in the province of Isabela, Brgy. Umiray, General Nakar, Quezon province and Castañeda in the province of Nueva Vizcaya;
3. That in accordance with its mandate to render reliable, adequate and efficient electric service to all its member-consumers on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of the Emergency Force Majeure Network Assets Capital Project: Rehabilitation of its distribution lines located at the Municipalities of Baler, San Luis, Maria Aurora, Dipaculao, Dingalan, Dinalungan, Casiguran, Dilasag in the province of Aurora and the municipality of Dinapigue in the province of Isabela and Castañeda, province of Nueva Vizcaya, Umiray province of Quezon which were severely damaged by natural calamity (Typhoons Karen and Lawin sometime in October 17- 18, 2016);
4. That likewise, pursuant to ERC Resolution No. 26 Series of 2009 and in accordance with Section 3.3 Article III of the Amended Rules for the Approval of Regulated Entities Capital Expenditures Projects; and in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of this Emergency Force Majeure Capital Project for the repairs and rehabilitation of the damages on this distribution system of AURELCO caused by Typhoons Karen and Lawin:
5. That the Aurora Province was hit by Typhoons Karen and Lawin which caused severe damaged to the household, infrastructure, livelihood and the distribution lines of AURELCO;
6. That due to the massive rehabilitation and the distance of the affected area coverages from the main office, coupled with the urgent call of the residents and the local governments of the affected municipalities, herein applicant was constrained to immediately rehabilitate the almost completely damaged distribution lines and sub-offices located in the affected municipalities which actually took several months;
7. That in view of this force majeure the management of the cooperative and with the approval of the Board of Directors have decided to file this emergency CAPEX due to force majeure (Typhoons Karen and Lawin) only after several months from the completion of the rehabilitation of all the affected distribution system in the affected franchise areas of the cooperative;

8. That likewise due to lack of funds, herein applicant was constrained to secure an emergency loan from the National Electrification Administration (NEA) in the amount of EIGHT MILLION NINE HUNDRED SEVENTY NINE THOUSAND ONE HUNDRED SEVENTY ONE PESOS & 32/100 (PhP 8,979,171.32) to be able to make emergency purchases of materials for the said rehabilitation projects of its damaged distribution lines in the affected areas;
9. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submit the following document, as follows:

**REHABILITATION OF DISTRIBUTION LINES DAMAGED BY  
TYHPOONS KAREN AND LAWIN**

I- Background

II- The proposed project

1. Title of the Project
2. Type of the Project
3. Category of the Project
4. Description of the Project
5. Project Justification
6. Actual Cost of Project
7. Economic Analysis
8. Annexes
9. Project Financing Plan
10. Board Resolution
11. Sworn Statements
12. Proof of Posting
13. Approval to secure loan from NEA
14. Verification/Certification

10. That the rehab of lines due to Force Majeure (Typhoons Karen and Lawin) has cost herein applicant the amount of PhP9,185,025.81;

- A) REHABILITATION OF DISTRIBUTION LINES DUE TO DAMAGE CAUSED BY NATURAL CALAMITY - in the total amount of PhP 9,185,025.81

a.) Emergency loan from NEA	P 8,979,171.32
b.) Replenishment from RFSC	<u>205,854.51</u>
TOTAL	<u>P 9,185,025.81</u>

11. That as a result of the said project, the cooperative has calculated the indicative rate impact as follows:

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PARTICULARS	Approved Capex	2016	2017	2018	2019	Total
NEA LOANS - OLD	73,521,249.00	73,521,249.00	73,521,249.00	73,521,249.00	73,521,249.00	73,521,249.00
NEA LOANS-Force Majeure(Typhoon Lando)		24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00	24,500,000.00
NEA LOANS - UNPLANNED CAPEX		6,327,082.86	6,327,082.86	6,327,082.86	6,327,082.86	6,327,082.86
Replenishment from General Fund(Typhoon Labuyo)		2,768,409.00	2,768,409.00	2,768,409.00	2,768,409.00	2,768,409.00
NEA LOANS-Force Majeure(Typhoon Karen & Lawin)		8,979,171.32	8,979,171.32	8,979,171.32	8,979,171.32	8,979,171.32
<b>TOTAL</b>	<b>73,521,249.00</b>	<b>116,095,912.18</b>	<b>116,095,912.18</b>	<b>116,095,912.18</b>	<b>116,095,912.18</b>	<b>116,095,912.18</b>
a) Amortization for 15 years @ 9% int. rate (existing loans)		7,688,324.00	7,688,324.00	7,688,324.00	7,688,324.00	30,753,296.00
b) Amortization (Old CAPEX)		12,178,237.00	12,178,237.00	12,178,237.00	12,178,237.00	48,712,948.00
c) Payable (materials and hardwares from reinvestment fund)		30,345,033.51	21,905,460.00	25,524,417.60	25,682,361.41	103,457,272.52
d) Amortization (new loan - unplanned CAPEX)		827,763.00	827,763.00	827,763.00	827,763.00	3,311,052.00
e) Amortization - Force Majeure(Typhoon Lando)		2,896,416.00	2,896,416.00	2,896,416.00	2,896,416.00	11,585,664.00
f) Permit fees new CAPEX		319,309.97				319,309.97
g) Amortization of additional loan (replenishment from GF)		529,020.00	529,020.00	529,020.00	529,020.00	2,116,080.00
h) Amortization - Force Majeure(Typhoon Karen & Lawin)		265,381.89	1,061,527.58	1,061,527.58	1,061,527.58	3,449,964.62
<b>Total</b>		<b>55,049,485.38</b>	<b>47,086,747.58</b>	<b>50,705,705.18</b>	<b>50,863,648.99</b>	<b>203,705,587.12</b>
Projected Energy Sales		48,935,957.00	53,363,981.00	57,798,644.00	62,235,316.00	222,333,898.00
Annual RFSC @ 0.5324 / kwhr		26,053,503.51	28,410,983.48	30,771,998.07	33,134,082.24	118,370,567.30
Previous excess RFSC		27,420,067.69	(1,450,949.18)	(20,001,748.27)	(39,810,490.38)	27,420,067.69
50% Revenue from leased property		124,965.00	124,965.00	124,965.00	124,965.00	499,860.00
Total Available CAPEX fund		53,598,536.20	27,084,999.30	10,895,214.79	(6,551,443.15)	146,290,494.99
Excess (shortfall) on RFSC if 15 yrs of payment		(1,450,949.18)	(20,001,748.27)	(39,810,490.38)	(57,415,092.13)	(57,415,092.13)
Excess (shortfall) on RFSC if 15 yrs term of payment		(0.02965)	(0.37482)	(0.68878)	(0.92255)	(0.25824)

12. That due to the urgent nature of the said project, herein applicant has to immediately purchase the needed materials in order not to jeopardize the restoration of service and operation of the cooperative to its member-consumers in the typhoon-affected areas;

13. That in support of this application and in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submit the following documents, as follows:

- a.) Board Resolution No. 65-2016- requesting emergency loan from NEA in the amount of PhP10,200,000.00;
  - b.) Board Resolution No. 66-2016- approval of emergency procurement of various materials and conducted a negotiation through accredited suppliers who will provide a very low price in favor of the coop in the amount of PhP10,200,000.00 as per NEA approval;
  - c.) Total cost of materials and equipment caused by Typhoon-PhP9,185,025.81.
14. That applicant, in support of this application has likewise submitted the following documents, as follows:
- a. Annex "A" – NPV, IRR and B/C Ratio Analysis and Impact/Effect on Rate Base for Rehabilitation of line by Typhoons Karen and Lawin
  - b. Annex "A-1" – Amortization Schedule
  - c. Annex "A-2" – Pictures of Damaged Electrical Lines

**ALLEGATIONS IN SUPPORT OF THE REQUEST FOR  
PROVISIONAL AUTHORITY:**

15. That due to the urgent nature of this project, herein applicant likewise requests immediate approval of this Force Majeure-CAPEX Project in the affected municipalities within the area-coverage of applicant in order to render adequate and efficient service to its affected member-consumers;
16. That herein applicant has initially undertaken in financing the said project from its internally generated funds and immediately applied for loans from the National Electrification Administration (NEA) to replace said funds in order to be able to replenish the cooperative funds for other equally important projects;
17. This application is definitely intended to allow AURELCO to render a more reliable, adequate and efficient electric service in compliance to its mandate of total electrification on an area coverage basis;
18. That as such, herein applicant requests the approval of the Force majeure-CAPEX Project for the benefit of its member-consumers;

**P R A Y E R**

WHEREFORE, IN VIEW OF ALL THE FOREGOING, it is most respectfully prayed of this Hon. Commission that an Order be issued:

1. Granting immediately the Provisional Authority/approval for this Force Majeure-CAPEX Project which is the rehabilitation of its damaged distribution lines due to typhoons Karen and Lawin; And that the emergency loans secured from NEA be approved;

2. And approve the rehabilitation projects undertaken by herein cooperative-applicant in proceeding immediately with the construction of the said Force Majeure-CAPEX projects due to Typhoons Karen and Lawin;

Other relief/s just and equitable in the premises are likewise prayed for under the premises.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **6 June 2017 at ten o'clock in the morning (10:00 A.M.), at AURELCO's principal office at Brgy. Reserva, Baler, Aurora.**

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 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 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.

All such persons who wish to have a copy of the *Application* may request from Applicant that it 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 Officer-In-Charge of ERC **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 10th day of May 2017 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS/SLAN/ARG/PAR/APV