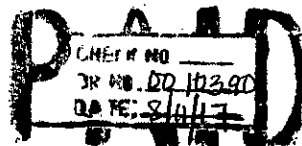


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE MULTI-
YEAR CAPITAL
EXPENDITURE PROJECTS
(2015-2017) WITH PRAYER FOR
AUTHORITY TO SECURE
LOANS AND PROVISIONAL
AUTHORITY,

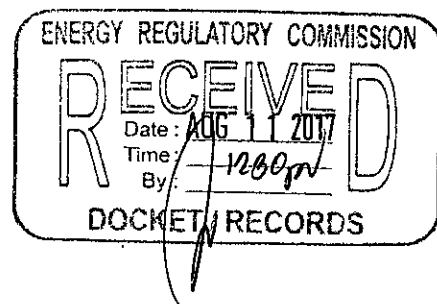


ERC CASE NO. 2017 - 073 RC

NEGROS ORIENTAL
ELECTRIC COOPERATIVE,
INC. I (NORECO I),

Applicant.

x ----- x



APPLICATION

Applicant **NEGROS ORIENTAL ELECTRIC COOPERATIVE INC. I (NORECO I)**, through the undersigned counsel, respectfully states that:

1. NORECO I is an electric cooperative duly organized and existing under the laws of the Republic of the Philippines with office address at Tinaogan, Bindoy, Negros Oriental.

2. NORECO I was granted a franchise to operate an electric light and power distribution service in the municipalities of Mabinay, Manjuyod, Bindoy, Ayungon, Tayasan, Jimalalud, La Libertad, and Vallehermoso, and the cities of Guihulngan, Bais, and Canlaon, all in the province of Negros Oriental.

3. The instant Application is filed pursuant to Section 43 (f) of Republic Act No. 9136, otherwise known as the "Electric Power

Industry Reform Act of 2001", ERC Resolution No. 26, Series of 2009, ERC Rules of Practice and Procedure, and other relevant laws and rules, for the Honorable Commission's approval, confirmation and authority for NORECO I to implement the proposed Capital Expenditure (CAPEX) projects for the years 2014 to 2016.

4. NORECO I furnished the legislative bodies of the local government units where it principally operates with copies of the Application with all its annexes and accompanying documents. Copies of the proofs of service to the Sangguniang Panlalawigan of Negros Oriental and the Sangguniang Bayan of Bindoy, Negros Oriental are attached as Annexes "A" and "B", respectively.

5. NORECO I also published the Application *sans* annexes in its entirety in a newspaper of general circulation within its franchise area. Copies of the Affidavit of Publication and the Newspaper where the Application was published are attached as Annexes "C" and "D", respectively.

6. NORECO I's Multi-Year Capital Expenditure Projects are divided into network and non-network projects, with the specific projects indicated as follows:

CAPITAL EXPENDITURE PROJECTS (2015-2017)

PROJECT		YEAR OF IMPLEMENTATION			TOTAL COST
		2015	2016	2017	
Network					
1	Purchase of Poles, Transformers, Conductors and Line Hardwares	10,005,212.00	12,085,754.58	15,626,406.42	37,717,373.00
2	Purchase of kWh Meters, Poles, Transformers, Conductors, and Line Hardwares for New Consumers		4,949,355.08	8,413,843.42	13,363,198.50
3	Purchase of kWh Meters for the Replacement of Defective and Stuck-up Meters	688,665.79	2,054,242.06	10,354,447	13,097,385.00
4	Purchase of Distribution Lightning Arresters			425,209.05	425,209.05
5	Procurement of Substation Feeder Metering			2,100,000.00	2,100,000.00
6	Purchase of Recloser			5,040,000.00	5,040,000.00
7	Purchase of Line Tools and Protective Equipment	240,283.47	289,858.68	3,495,644.16	4,025,786.3
TOTAL NETWORK		10,934,161.27	19,379,210.40	45,455,580.02	75,768,951.86
Non-Network					
8	Acquisition of Land and Construction of Sub-office Building in Vallehermoso			1,000,000.00	1,000,000.00
9	Purchase of Transformer Tester (3 in 1) and Polyphase kWh Meter Calibrator			2,940,000.00	2,940,000.00

10	Purchase of Vehicles and Motorcycles			7,392,000.00	7,392,000.00
11	Information System Automation	57,528.07	46,998.22	2,950,973.71	3,055,500.00
12	Construction of New Building and Office Improvement		31,500.00	5,597,473.95	5,628,973.95
13	Purchase of Meter Reading, Communication Equipment, Desktop Computers and Printers	99,230.00	68,792.12	854,677.88	1,022,700.00
TOTAL NON-NETWORK		156,758.07	147,290.34	20,735,125.54	21,039,173.95
TOTAL		11,090,919.34	19,526,500.74	66,190,705.74	96,808,125.81

7. The above-enumerated CAPEX projects were proposed after a performance assessment of the distribution system of NORECO I, in response to the identified problems.

8. NORECO I's Profile, Forecasting Model, Forecasted Energy Sales, kW Demand, and Consumer Count, Existing Distribution System Analysis, Identified Problems, Proposed Projects with Description and Justification, Project Financing Plan, and Proposed Gantt Chart Schedule are discussed in detail in the CAPEX Plan of NORECO I, attached as **Annex "E"** hereof.

9. Applicant's estimated capital expenditure for 2015-2017 exclusive of permit fee, legal and consultancy fees and capitalized interests is Ninety-Six Million Eight Hundred Eight Thousand One Hundred Twenty-Five Pesos and Eighty-One Centavos (P96,808,125.81).

- a. Applicant intends to secure loans from the National Electrification Administration (NEA) in the amount of Thirty-Four Million Three Hundred Ninety-Four Thousand Seven Hundred Twenty-Six Pesos and Ninety Nine Centavos (34,394,726.99).
- b. The balance will be financed from the Reinvestment Fund for Sustainable Capital Expenditures (RFSC). The implementation of all the proposed projects is projected to have an average indicative additional revenue requirement on the RFSC rate of Php 0.1861 per kWh in order to cover the shortfall on the existing RFSC.

	2015	2016	2017	2018	2019	TOTAL
Forecasted energy sales, kWh	52,942,544	59,350,631	59,567,259	63,273,634	67,188,469	302,322,537.00
Cash balance beginning, PhP, excess/(shortfall)		6,931,831.13	7,573,405.23	(9,540,332.54)	8,622,107.60	28,130,859.49
CASH INFLOWS						
current year collection @PhPo.3439/kWh	18,206,940.88	20,410,682.00	20,485,180.37	21,759,802.73	23,106,114.49	103,968,720.47
50% of income on leased properties	1,361,935.49	1,361,935.49	1,361,935.49	1,361,935.49	1,361,935.49	6,809,677.45
loan proceeds from financial institutions, PhP			34,394,726.99			34,394,726.99
Total Cash Inflows, PhP	19,568,876.37	21,772,617.49	56,241,842.85	23,121,738.22	24,468,049.98	145,173,124.91
Available cash for disbursement	19,568,876.37	28,704,448.63	63,815,248.08	13,581,405.69	33,090,157.58	173,303,984.40
CASH OUTFLOWS						
CAPEX requirement	11,090,919.34	19,526,500.74	66,190,705.74			96,808,125.81
Emergency CAPEX- Mabinay Repair			1,166,200.00			1,166,200.00
new amortization (new CAPEX), PhP			4,959,298.09	4,959,298.09	4,959,298.09	14,877,894.26
old debt, PhP	1,462,944.00	1,458,093.90	534,200.00			3,455,237.90
ERC Permit Fee, PhP	83,181.90	146,448.76	505,176.79			734,807.44
Total Cash Outflows, PhP	12,637,045.23	21,131,043.39	73,355,580.62	4,959,298.09	4,959,298.09	117,042,265.41
Cash balance ending, PhP, excess/(shortfall)	6,931,831.13	7,573,405.23	(9,540,332.54)	8,622,107.60	28,130,859.49	56,261,718.98
Excess/(shortfall) on RFSC, PhP/kWh	0.1309	0.1276	(0.1602)	0.1363	0.4187	0.1861

10. The proposed CAPEX projects and plans to secure loans to finance said projects were already approved by the Board of Directors of NORECO I.

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR AUTHORITY TO SECURE LOANS AND PROVISIONAL AUTHORITY

Applicant re-pleads the foregoing allegations and further states that:

11. There is an urgent necessity to commence the implementation of proposed CAPEX projects as the identified problems include safety deficiencies, power quality violations and poor reliability.

12. In particular, the following CAPEX projects are extremely urgent: the replacement of aging, broken and rotten wood poles and worn-out line tools and protective equipment, because these are safety projects, and the replacement of defective meters.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed to this Honorable Commission that:

- (1) Upon filing of the Application, and pending hearing thereon, an Order be issued granting **PROVISIONAL AUTHORITY** to NORECO I to implement its capital expenditure projects for 2015 to 2017; and
- (2) After hearing thereon on the merits, a **DECISION** be rendered **APPROVING** the instant Application and **GRANTING AUTHORITY TO SECURE LOANS** to NORECO I to finance its capital expenditure projects for 2015 to 2017.

Other just and equitable reliefs are likewise prayed for:

Pasig City, 19 July 2017.


CECILIA R. LAYUG
Counsel for Respondent

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San Miguel Avenue corner Shaw Boulevard
Ortigas Center, Pasig City, Metro Manila
IBP Lifetime No. 06879; Mis. Or.
PTR No. 2516960; 01/05/17, Pasig City
Roll No. 49866, Page No. 474, Book XX
MCLE Compliance No. V-0017018; 4/5/16
Tel. No.: (+632) 2341868
Email: *ceslayug@gmail.com*

**VERIFICATION & CERTIFICATION
OF NON-FORUM SHOPPING**

I, **JOSE JUVILEO ACABAL**, of legal age, Filipino and with office address at Tinaogan, Bindoy, Negros Oriental, after being sworn to according to law, depose and state that:

1. I am the General Manager of the **NEGROS ORIENTAL ELECTRIC COOPERATIVE INC. I (NORECO I)**;

2. I am duly authorized to sign this Verification and Certification Against Forum Shopping pursuant to Resolution No. 17-54 of the Board of Directors of **NORECO I**;

3. I authorized and caused the preparation and filing of the foregoing Application, and read all the allegations contained therein, which I affirm are all true and correct based on my personal knowledge and/or on authentic records;

4. I further certify that **NORECO I** has not heretofore commenced any action or filed any claim involving the same issues in any court, tribunal or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein;

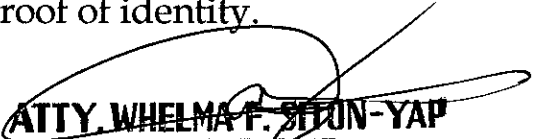
5. If I should hereafter learn that the same or similar action or claim has been filed or is pending with any court, tribunal or quasi-judicial agency, I shall report such fact to this Honorable Commission within five (5) days therefrom.

IN WITNESS WHEREOF, I have hereunto set my hand in 05 AUG 2017, this _____ day of August 2017.


JOSE JUVILEO ACABAL

SUBSCRIBED AND SWORN to before me this 05 day of August 2017 in Dumaguete City, Philippines, affiant exhibiting to me ID No. 1102-97-227648 as proof of identity.

Doc No. 08;
Page No. 08;
Book No. LIX;
Series of 2017.


ATTY. WHELMA F. SITON-YAP
NOTARY PUBLIC
UNTIL DECEMBER 31, 2017
SERIAL No. 2016-020/ROLL OF ATTORNEY No. 42860
IBP LIFETIME MEMBERSHIP No. 01964
PTR No. 1513768-JAN. 20, 2017, DUMAGUETE CITY
OFFICE ADDRESS: YAP-SITON LAW OFFICE
2/F GEMINI BUILDING, REAL STREET, DUMAGUETE CITY