

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



**IN THE MATTER OF THE
APPLICATION FOR
PROPOSED CAPITAL
EXPENDITURE PROJECT,
WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2017-038 RC

**ISABELA I ELECTRIC
COOPERATIVE, INC.
(ISELCO I),**

Applicant.

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ORDER

On 27 April 2017, Isabela I Electric Cooperative, Inc. (ISELCO I) filed an *Application* dated 28 March 2017 (*Application*) seeking the Commission's approval of its proposed capital expenditure project for the repair, restoration, replacement and/or rehabilitation with prayer for provisional authority.

ISELCO I alleged the following in its *Application*:

1. The subject of this Application is the proposed 236m 69kV distribution line which will connect the MARIIS South Hydroelectric Power Plant (MARIIS South Canal HEPP) in Bgy. Ambatali, Ramon, Isabela including the existing 69kV Overhead Sub-Transmission line running along Magat River at the boundary of Brgy. Namillangan, Alfonso Lista, Ifugao and Brgy. Ambatali, Ramon, Isabela to which the new 236m line will connect up to its connection with the existing ISELCO I 69 kV Cabatuan-Santiago Sub-Transmission line.

I. BACKGROUND

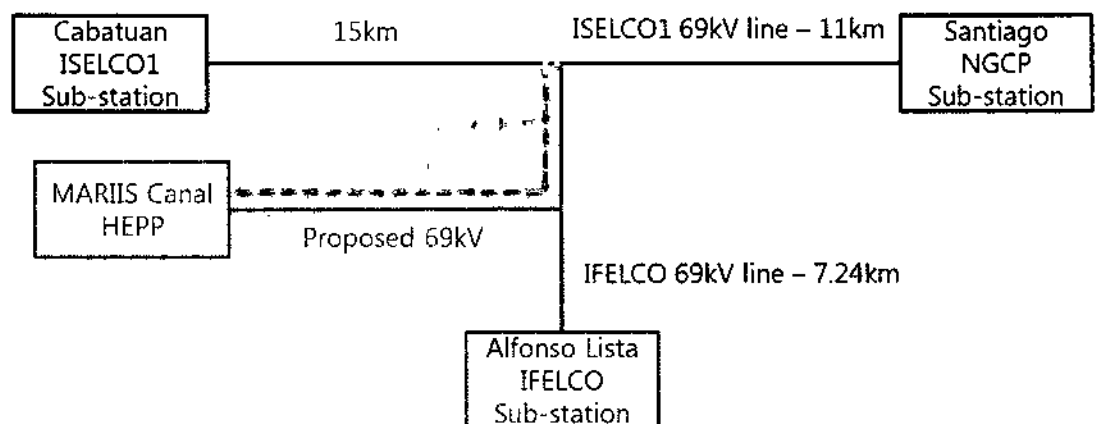
2. The Applicant, ISELCO I, was organized in accordance with RA 6038 (now PD 269) as amended by PD 1645. It was registered and incorporated with the National Electrification Administration (NEA) on March 24, 1972 and was granted the certificate of franchise on June 6, 1979. Its headquarters is located at Victoria, Alicia, Isabela.

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3. Pursuant to Presidential Decree 269, ISELCO I holds an exclusive franchise issued by the National Electric Administration to operate an electric power distribution services in the third and fourth districts of Isabela and it is one of the two electric cooperatives providing electric service in the Province of Isabela. It covers five hundred two (502) barangays within the thirteen (13) municipalities and two (2) cities grouped into twelve districts namely:
 - a. Angadanan/San Guillermo - District I
 - b. Ramon - District II
 - c. San Mateo - District III
 - d. San Isidro - District IV
 - e. Alicia - District V
 - f. Echague - District VI
 - g. Cordon - District VII
 - h. Santiago City - District VIII
 - i. Jones/San Agustin - District IX
 - j. Cabatuan/Luna - District X
 - k. Cauayan City - District XI
 - l. Reina Mercedes - District XII
4. On October 26, 2010, the Department of Energy entered into a Memorandum of Agreement (MOA) with the Ifugao Electric Cooperative, Inc. (IFELCO) for the construction of a 69kV Sub-Transmission Line Project to connect the Alfonso Lista, Ifugao side of the IFELCO franchise to the grid by connecting to the ISELCO I 69 kV Cabatuan-Santiago Sub-Transmission line.
5. A portion of the IFELCO 69 kV Sub-Transmission line runs along Magat River at the boundary of Brgy. Namillangan, Alfonso Lista, Ifugao and Brgy. Ambatali, Ramon, Isabela that are, as earlier noted, within the franchise area of ISELCO I.
6. Under the terms of the MOA, the DOE allocated the amount of Php16,734,259.89 for the construction of the 69kV Sub-Transmission Line connecting the IFELCO substation to the existing 69kV line of ISELCO I.
7. The 69kV Overhead Power Line has been constructed and in place and under the operation and maintenance of IFELCO.

II. PROJECT DESCRIPTION

8. The proposed project involves the following activities:
- a) Connection of the proposed 8.5 MW MARIIS South Canal Hydroelectric Power Plant (MARIIS South Canal HEPP), which is owned by SN Aboitiz Power-Magat, Inc., to the distribution system of ISELCO I;
 - b) Acquisition of a portion of the 69 kV connection asset (Burgos-Alfonso Lista 69 kV line) of IFELCO that is connected to the distribution system of ISELCO I. Total length to be acquired is approximately 3.375 km;
 - c) Construction of additional 236 meters 69 kV line to connect MARIIS South Canal HEPP; and
 - d) Procurement of associated equipment such as air break switch and fault indicator for the connection of MARIIS South Canal HEPP.
9. The existing and proposed connection shall be as follows:



The broken line connecting the MARIIS South Canal HEPP to the 69kV Santiago Line represents the subject of this application, a total length of 3.611 km.

10. The proposed 236m distribution line is envisioned to be connected to the MARIIS South Canal HEPP, a proposed 8.5MW scheme located on Magat River beside the MARIIS Main (South) Diversion Canal, situated at the right bank of the MARIIS Dam.
11. The site is located 20 km north of Santiago City, Isabela, Philippines and is approximately 6 km downstream of the existing Magat Dam and Magat Hydroelectric Power Plant ("Magat HEPP"). The details of the proposed connection, as well as the MARIIS HEPP Southare provided in the Detailed Project Description attached to this application.

III. PROJECT BACKGROUND and PROJECT JUSTIFICATION

12. SN AboitizPower-Magat, Inc. (SNAP-M) is currently in the process of developing the MARIIS South Canal HEPP, an 8.5MW project situated on the right abutment of the Maris Dam, downstream of the Magat Dam and Magat Hydroelectric Power Plant. The Department of Energy (DOE) has issued Hydropower Service Contract No. 2013-11-329 for the MARIIS South Canal HEPP.
13. The proposed power station with 2x4.25 MW turbines will be located downstream of the existing Maris Dam and Reservoir in Brgy. Ambatali, Ramon, Isabela which is 20 km north of Santiago City, Isabela, Philippines. The dam and the diversion canal are owned and operated by the National Irrigation Administration's Magat River Integrated Irrigation System (NIA-MARIIS).
14. SNAP-M and ISELCO I are currently preparing a Connection Agreement for the interconnection of the MARIIS South Canal HEPP to the distribution system of ISELCO I for the main purpose of delivering electricity indirectly to the Luzon Grid. In order to achieve this purpose, a connection facility is necessary to be put in place, hence this application.
15. The MARIIS South Canal HEPP has undergone a System Impact Study (SIS), which was subsequently reviewed and found consistent with the National Grid Corporation of the Philippines' (NGCP) simulation. As such, the SIS was found to be substantiated and acceptable to be considered as the final SIS by the NGCP.
16. An Environmental Compliance Certificate (ECC) for the MARIIS South Canal HEPP was issued by the Department of Environment and Natural Resources (DENR) Environmental Management Bureau (EMB) Region 2 with ECC Reference Code No. ECC-R02-1502-0003 on February 18, 2015.
17. The total estimated cost of the proposed 236m 69kV distribution line project which includes steel poles is **Six Million Four Hundred Thirteen Thousand Three Pesos and 25/100(Php.6,413,003.25)**. The cost of the project shall be funded through the assistance of SNAP-M. The bill of materials/quantities and the detailed design of the Project is attached as Annexes "I.1" and "I.2".
18. SNAP-M intends to avail of the Feed-in Tariff (FIT) mechanisms for renewable energy developers, which

would guarantee a fixed rate per kilowatt-hour (kwh) from the Government. Thus, it is only after the development, operation and actual supply of electricity by the MARIIS South Canal HEPP, as well as the effectivity of the FIT Allowance (which has yet to be determined by this Honorable Commission) on consumers' electric bills, that the development of the project will have any impact on consumers.

19. Tapping into the existing 69kV Sub-Transmission Line is the most viable and best option to connect the MARIIS South Canal HEPP to the Luzon Grid.
20. The public information dissemination of the proposed capital expenditure will be conducted within the applicant's franchise area.
21. The requirement that a copy of the Certificate of Compliance (COC) for the MARIIS South Canal HEPP be submitted is not applicable to this Application because the MARIIS South Canal HEPP is still in the early stages of construction and the EPIRA's Implementing Rules and Regulations only requires a generation company to obtain a COC for a new generation facility before such facility commences commercial operations. SNAP-M will apply for a COC prior to the MARIIS South Canal HEPP's commencement of operations and will comply with the requirements for the issuance of a COC.

IV. PROJECT FINANCING PLAN AND INDICATIVE RATE IMPACT OF THE PROJECT

22. Under the agreement of ISELCO I and SNAP-M, any associated cost necessary for the interconnection of the MARIIS South Canal HEPP to the distribution system of ISELCO I shall be funded fully by SNAP-M. Any facility that will be put in place (except for the switchyard facility of the generating plant) for the connection of MARIIS South Canal HEPP shall be transferred to the cooperative in the form of CIAC.
23. Considering further that the portion of the Burgos-Alfonso Lista 69 kV facility is to be donated by IFELCO to ISELCO I under the signed agreement executed by the parties, ISELCO I will incur zero (0) cost in implementing the proposed capital project. Hence, there is no effect on the existing rate of the cooperative.

V. DOCUMENTARY SUPPORT

24. In support of the foregoing application, ISELCO I submits the following documents:

	Document	Annex
1	Executive Summary	A
2	Board Resolution of ISELCO I	B
3	DOE-IFELCO Memorandum of Agreement dated October 26, 2010	C
4	Detailed Project Description	D
5	DOE Certificate of Registration Hydropower Service Contract No. 2013-11-329	E.1 E.2
6	Final Report of the System Impact Study (with Forecasted Demand and Supply) as approved by the National Grid Corporation of the Philippines SIS NGCP Review SIS NGCP Final Review	F.1 F.2 F.3
7	Environmental Compliance Certificate R02-1502-0003 ECC Amendment	G.1 G.2
8	Facilities Study FS Review Report of the National Grid Corporation of the Philippines	H.1 H.2
9	Bill of Quantities Detailed Design	I.1 I.2
10	Certificate of Non-Coverage for the Proposed new 69 kV line	J

VI. ALLEGATIONS IN SUPPORT OF PRAYER FOR PROVISIONAL AUTHORITY

25. ISELCO I re-pleads the above allegations in support of its prayer for the issuance of a provisional authority.
26. In this instance, there is an urgent need for additional capacity in the Luzon Grid, and the insufficient levels of power reserve and supply merit the issuance of the provisional authority so that the proposed 236m line may be developed in conjunction with the construction of the MARIIS South Canal HEPP.

PRAYER

WHEREFORE, in view of the foregoing, ISELCO I respectfully prays that this Honorable Commission:

1. Take note of the existing 69kV Sub-Transmission Line and after due hearing, render judgment making the **APPROVAL** of the Application permanent.
2. After due hearing and consideration, render judgment **APPROVING** the Application for the proposed 236m distribution line for the MARIIS South Hydroelectric Powerplant (MARIIS South) in Santiago, Isabela.

Other just and 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 **04 October 2017 (Wednesday) at ten o'clock in the morning (10:00 A.M.)**, at ISELCO I's principal office at Victoria, Alicia, Isabela.

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 concludes the presentation of its evidence, 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 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.

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NOTICE OF PUBLIC HEARING/ 25 JULY 2017
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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 25th day of July 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: MCC/ARG/GLS/APV