

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 | 4,025,786.30 |
| 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 |

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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.

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **05 July 2018 (Thursday) at nine o'clock in the morning (9:00 A.M.), at NORECO I's Principal Office, Tinaogan, Bindoy, Negros Oriental.**

Accordingly, NORECO I is hereby directed to:

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- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;

- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

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Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

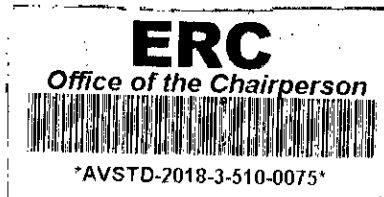
NORECO I must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.


SO ORDERED.

Pasig City, 26 March 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO




ERC/LSP/APV ord.2017-073 NORECO I- CAPEX io



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Copy Furnished:

1. Atty. Cecilia R. Layug
Counsel for NORECO I
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San Miguel Avenue, corner Shaw Boulevard
Ortigas Center, Pasig City
2. Negros Oriental I Electric Cooperative, Inc. (NORECO I)
Tinaogan, Bindoy, Negros Oriental
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit
Commonwealth Avenue, Quezon City
5. Senate of the Philippines
Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
6. House of Representatives
House of Representatives Committee on Energy
Batasan Hills, Quezon City
7. Office of the City Mayor
Bais City, Negros Oriental
8. Office of the Sangguniang Panglungsod
Bais City, Negros Oriental
9. Office of the City Mayor
Canlaon City, Negros Oriental
10. Office of the Sangguniang Panglungsod
Canlaon City, Negros Oriental
11. Office of the Municipal Mayor
Ayungon, Negros Oriental
12. Office of the Sangguniang Bayan
Ayungon, Negros Oriental
13. Office of the Municipal Mayor
Bindoy, Negros Oriental
14. Office of the Sangguniang Bayan
Bindoy, Negros Oriental
15. Office of the City Mayor
Guihulngan, Negros Oriental
16. Office of the Sangguniang Panglungsod
Guihulngan, Negros Oriental
17. Office of the Municipal Mayor
Jimalahud, Negros Oriental
18. Office of the Sangguniang Bayan
Jimalahud, Negros Oriental
19. Office of the Municipal Mayor
La Libertad, Negros Oriental
20. Office of the Sangguniang Bayan
La Libertad, Negros Oriental

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21. Office of the Municipal Mayor
Mabinay, Negros Oriental
22. Office of the Sangguniang Bayan
Mabinay, Negros Oriental
23. Office of the Municipal Mayor
Manjuyod, Negros Oriental
24. Office of the Sangguniang Bayan
Manjuyod, Negros Oriental
25. Office of the Municipal Mayor
Tayasan, Negros Oriental
26. Office of the Sangguniang Bayan
Tayasan, Negros Oriental
27. Office of the Municipal Mayor
Vallehermoso, Negros Oriental
28. Office of the Sangguniang Bayan
Vallehermoso, Negros Oriental
29. Office of the Governor
Province of Negros Oriental
30. Office of the Sangguniang Panlalawigan
Province of Negros Oriental
31. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP),
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
32. Regulatory Operations Service
17th Floor Pacific Center Bldg.
San Miguel Ave., Pasig City

afg