

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: UPGRADING AND  
UPRATING OF LAGONOY  
SUBSTATION**

**ERC CASE NO. 2019-012 RC**

**CAMARINES SUR IV  
ELECTRIC COOPERATIVE,  
INC. (CASURECO IV),  
*Applicant.***

Promulgated:  
MAR 12 2019

X-----X

**ORDER**

On 21 February 2019, Applicant Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV), filed an *Application* dated 21 December 2018, seeking the Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project of upgrading and uprating the Lagonoy Substation.

The pertinent allegations of the said *Application* are hereunder quoted as follows:

1. CASURECO IV is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippine laws, with principal office at Brgy. Talojongon, Tigaon, Camarines Sur.
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 Sur, namely: Caramoan, Garchitorena, Goa, Lagonoy, Ocampo, Presentacion, Sagnay, San Jose and Tigaon.

**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, CASURECO IV submits for the Honorable Commission's confirmation and approval its Emergency Capital Expenditure (CAPEX) Project of Upgrading and Uprating of Lagonoy Substation from 5MVA to 10MVA, which is the subject of the instant Application.

**THE ANTECEDENT FACTS**

4. The 5MVA Lagonoy Substation located in Lagonoy, Camarines Sur, is the first substation constructed at CASURECO IV's franchise area and is currently distributing electric power in the municipalities of Goa, San Jose and parts of Lagonoy;
5. Sometime in June 2018, an annual substation testing and preventive maintenance was conducted by CASURECO IV. Based on the result of testing, the Lagonoy Substation's integrity had already failed the testing standard;
6. Currently, the substation's loading percentage had already reached 80.85%. This loading percentage does not conform to the requirement of Section 3.2.1. of EC-DU Planning Manual per ERC Resolution No. 26, Series of 2009;
7. Consequently, CASURECO IV transferred some loads from Lagonoy Substation to the new Presentacion 5MVA Substation. Despite said transfer of some loads to the Presentacion Substation, the updated Lagonoy Substation forecast still shows occurrence of capacity violation;
8. In order to address the problem, it is necessary that the Lagonoy Substation's 5MVA Power Transformer, including its protection, both at primary and secondary side, be upgraded and uprated to 10MVA. This will likewise accommodate the other requirements set by the Philippine Distribution and Grid Code.
9. In addition, the uprating will eventually comply with the Department of Environment and Natural Resources' (DENR) recommendation in its letter to CASURECO IV dated July 6, 2018 to replace the existing Lagonoy Substation 5MVA Power Transformer due to PCB contamination.

**PROJECT DESCRIPTION**

10. The project subject of the instant application is the Ugrading and Uprating of Lagonoy Substation from 5 MVA to 10 MVA, which includes the following: (a) supply, delivery, installation, testing and commissioning of materials and equipment needed for the upgrading and uprating of the

existing Lagonoy Substation situated in Lagonoy, Camarines Sur, to 10-MVA Substation; and (b) supply, delivery and installation of (i) 1. 69 kV protection equipment; (ii) 10/12.5 MVA, off load, 69/13.2 kV power transformer; (iii) 13.2 kV protection; (iv) 13.2 kV structures; and (v) civil and other electrical works.

**PROJECT SCHEDULE**

11. Implementation of the Emergency CAPEX Project was started in the last quarter of 2018 as stated in the Table below, as follows:

No.	Description	No. of Days	Project Implementation and Construction Schedule										Remarks	
			2018			2019								
			Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun			
1	Budget Request , availment of loan from Development Bank of the Philippines (DBP)	30	■											
2	Publication and Bidding or Procurement Process	40		■	■									
3	Notice of Award, Contract Signing of the Winning Bidder and Notice to Proceed	14			■									
4	Mobilization, transfer of loads to another Substation, Tigaon and Presentacion Substation.	7			■									
5	Construction and Installation of 10-MVA Power Transformer and its protective equipment.	151				■	■	■	■	■	■	■	■	
6	Testing and Commissioning of Substation	7											■	

**PROJECT FINANCING**

12. The total cost of the project in the amount of Twenty Seven Million Nine Hundred Eighty Five Thousand Pesos (PhP 27,985,000.00) shall be funded through a loan from the Development Bank of the Philippines (DBP), with a term of ten (10) years, payable in quarterly installments, with an indicative annual interest rate of 4.75%. CASURECO IV 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**

13. Financial analysis and evaluation made indicate that CASURECO IV's current RFSC Rate of PhPo.4004/kWh is enough to finance the upgrading and uprating of the Lagonoy Substation from 5MVA to 10MVA. The probable effect of the project will bring about an excess rate impact for 10-years collection with an average of PhP 1.3561/kWh. Based on sales forecast, the project will have an annual average carrying charge of PhP3, 474,921.21 for the next ten (10) years.

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

14. The upgrading and uprating of the Lagonoy Substation from 5MVA to 10MVA is aimed to relieve the overloading of the

Ampayon Substation Power Transformer and meet the growing demand and unexpected large load growth within the Lagonoy Substation coverage area. It will further eliminate the PCB contaminated Lagonoy 5MVA Power Transformer;

15. The immediate implementation of the project will likewise provide a safe, adequate, reliable, and efficient electric service to the consumers being served by the substation.

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

16. Finally, in compliance with the documentary as well as pre-filing requirements under ERC Resolution 26, Series of 2009 and the ERC Rules of Practice and Procedure, respectively, CASURECO IV 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 Tigaon and Sangguniang Panlalawigan of Camarines Sur
“C” and series	Proof of publication of the Application in a newspaper of general circulation in CASURECO IV’s franchise area or where it principally operates.

**PRAYER**

WHEREFORE, premises considered, CASURECO IV respectfully prays of this Honorable Commission that after due notice and hearing, the upgrading and uprating of its Lagonoy Substation from 5 MVA to 10 MVA, be confirmed and approved accordingly.

Other equitable reliefs are likewise prayed for.

Finding the said *Application* to be sufficient in form and 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 **09 May 2019 (Thursday) at nine o’clock in the morning (9:00 A.M.) at CASURECO IV’s**

**Principal Office at Barangay Talojongon, Tigaon, Camarines Sur.**

Accordingly, CASURECO IV is hereby directed to:

- 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 Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within CASURECO IV's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within CASURECO IV's franchise area of the filing of the *Application*, the reasons therefor, and of the scheduled hearing thereon, 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, CASURECO IV must submit to the Commission its 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* were 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 Provincial Governor, Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by CASURECO IV to inform the consumers within the affected areas of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, the 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.

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.

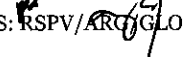
Applicant must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 04 March 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

LS: RSPV/ARJGLO  


**COPY FURNISHED:**

1. Dechavez Lerios-Amboy and Evangelista Law Offices  
Atty. Maud Eisel H. Angel-Malang  
*Counsel for Applicant CASURECO IV*  
Unit 2008, Tycoon Centre, Pearl Drive  
Ortigas Center, Pasig City
2. Camarines Sur IV Electric Cooperative, Inc. (CASURECO IV)  
*Applicant*  
Barangay Talojongon, Tigao  
Camarines Sur
3. Office of the Solicitor General (OSG)  
134 Amorsolo Street, Legaspi Village, Makati City
4. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City 1307
6. House Committee on Energy  
Batasan Hills, Quezon City 1126
7. Office of the Governor  
Province of Camarines Sur
8. Office of the Local Government (LGU) legislative body  
Province of Camarines Sur
9. Office of the Mayor  
Municipality of Caramoan, Camarines Sur
10. Office of the Local Government (LGU) legislative body  
Municipality of Caramoan, Camarines Sur

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11. Office of the Mayor  
Municipality of Garchitorea, Camarines Sur
12. Office of the Local Government (LGU) legislative body  
Municipality of Garchitorea, Camarines Sur
13. Office of the Mayor  
Municipality of Goa, Camarines Sur
14. Office of the Local Government (LGU) legislative body  
Municipality of Goa, Camarines Sur
15. Office of the Mayor  
Municipality of Lagonoy, Camarines Sur
16. Office of the Local Government (LGU) legislative body  
Municipality of Lagonoy, Camarines Sur
17. Office of the Mayor  
Municipality of Ocampo, Camarines Sur
18. Office of the Local Government (LGU) legislative body  
Municipality of Ocampo, Camarines Sur
19. Office of the Mayor  
Municipality of Presentacion, Camarines Sur
20. Office of the Local Government (LGU) legislative body  
Municipality of Presentacion, Camarines Sur
21. Office of the Mayor  
Municipality of Sagnay, Camarines Sur
22. Office of the Local Government (LGU) legislative body  
Municipality of Sagnay, Camarines Sur
23. Office of the Mayor  
Municipality of San Jose, Camarines Sur
24. Office of the Local Government (LGU) legislative body  
Municipality of San Jose, Camarines Sur
25. Office of the Mayor  
Municipality of Tigaon, Camarines Sur
26. Office of the Local Government (LGU) legislative body  
Municipality of Tigaon, Camarines Sur
27. Regulatory Operations Service (ROS)  
Energy Regulatory Commission  
17th Floor, Pacific Center, San Miguel Avenue, Pasig City