

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF CAPITAL
EXPENDITURE PROGRAM
FOR THE YEARS 2015 TO
2017, WITH APPLICATION
FOR AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)
AND PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2016-130 RC

**CAMARINES NORTE
ELECTRIC COOPERATIVE,
INC. (CANORECO),**

Applicant.

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DOCKETED
Date: **SEP 27 2016**
By: _____

ORDER

On 5 May 2016, Camarines Norte Electric Cooperative, Inc. (CANORECO) filed an Application dated 8 April 2016 (Application) for the approval of its capital expenditure program for the years 2015 to 2017, with application for authority to secure loan from the National Electrification Administration (NEA) and prayer for provisional authority.

In the said Application, CANORECO alleged the following:

1. CANORECO is an electric cooperative duly organized and existing under and by virtue of Presidential Decree No. 29 (PD 269) and other laws of the Republic of the Philippines, with principal office at J.P. Rizal St. Barangay 1, Daet, Camarines Norte;
2. CANORECO holds an exclusive franchise issued by the National Electrification Commission to operate an electric

8.1 SUMMARY OF CASH FLOW COST OF CAPEX PLAN INCLUDING AMORTIZATION OF PAST INDEBTEDNESS

particulars	2015	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales,kwh	134,741,000	142,049,000	149,446,000	158,792,000	167,099,000	175,381,000	927,508,000
Cash balance beginning,Php,excess/((shortfall)	(496,914)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	(26,618,462)
CASH INFLOWS							-
Current year Collection@Php .4268/kwh	44,046,833	60,626,513	63,783,553	67,772,426	71,317,853	74,852,611	382,399,789
Loan proceeds from NEA,Php		113,864,272	99,522,396	-	-	-	213,386,669
Government subsidy (if any,)Php							-
50% of income on leased propreties							-
Available cash for disbursement	43,549,918	168,241,058	129,680,824	31,015,864	74,094,657	122,585,674	569,167,995
CASH OUTFLOWS							-
CAPEX Requirements	17,617,920	171,675,334	133,731,888	-	-	-	323,025,142
Old Debt (old amortization)	21,209,002	15,227,308	10,579,393	7,456,016	6,479,338	3,040,050	63,991,107
new amortization (new CAPEX),Php	10,840,590	13,713,477	21,180,692	20,783,045	19,882,255	19,335,145	105,735,203
ERC Permit Fee,Php	132,134	1,250,063	945,413	-	-	-	2,327,611
Total Cash Outflows, Php	49,799,647	201,866,182	166,437,386	28,239,061	26,361,593	22,375,195	495,079,063
Cash balance ending, Php, excess/(shortfall)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	100,210,480	74,088,933

9. **Rate Impact.** The CAPEX Plan is envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the most value to the consumers, the most reasonable and justifiable electricity rate or at the least cost of service. The table below presents the annual rate impact of the CAPEX Plan on CANORECO's RFSC:

9.1 CAPEX Plan Annual Cash Flow and Indicative Rates

particulars	2015	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales,kwh	134,741,000	142,049,000	149,446,000	158,792,000	167,099,000	175,381,000	927,508,000
Cash balance beginning,Php,excess/((shortfall)	(496,914)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	(26,618,462)
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Excess/(shortfall) on RFSC, Php/kwh	(0.04638)	(0.23671)	(0.24595)	0.01749	0.28566	0.57139	0.07988

10. As shown above, most of the proposed projects shall be financed through loans from NEA considering that CANORECO's RFSC will not suffice to finance the proposed projects as planned. In view thereof, CANORECO hereby applies for authority from the Commission to secure said loan.


**ALLEGATIONS IN SUPPORT OF THE PRAYER
FOR PROVISIONAL AUTHORITY**

11. CANORECO repleads the foregoing allegations as may be material herein;
12. As shown in the table of proposed projects, some of the projects may require implementation while the Application is pending evaluation of the Commission;
13. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
14. In view thereof, CANORECO respectfully moves for issuance of a provisional authority while the case is pending, to implement said projects as may be deemed necessary and urgent under prevailing circumstances, to enable CANORECO to deliver a safe, more reliable and efficient electric service to its consumers;

DOCUMENTARY AND PRE-FILING REQUIREMENTS

15. Finally, in compliance with the documentary as well as pre-filing requirements for the Application, CANORECO is likewise submitting the following documents which are attached to the Application:

	Nature of Document
<i>Annex A</i>	CAPEX Plan and Distribution Development Plan for 2015 to 2017, with technical and financial analysis and supporting data presented in ERC-prescribed templates
<i>Annexes B to B-1</i>	Affidavit of Posting with Notice to Consumers
<i>Annex C</i>	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required



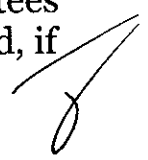
<i>Annex D</i>	Supporting documents for the Application for authority to secure loan from NEA
<i>Annex E</i>	Judicial Affidavit in Support of the Prayer for Provisional Authority
<i>Annexes F to F-1</i>	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Daet and Sangguniang Panlalawigan of Camarines Norte
<i>Annexes G to G-2</i>	Publication of the Application in a newspaper of general circulation within CANORECO's franchise area or where it principally operates, with Affidavit of Publication

16. CANORECO respectfully prays of this Commission that upon initial review of the Application and pending evaluation thereof, a provisional authority be issued to implement said projects and to secure loans to finance the same, and that after trial, the Application for Approval of CANORECO's Capital Expenditure Program for the period 2015 to 2017 and for the Authority to Secure Loan be granted accordingly.

Finding the Application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for initial hearing, expository presentation, Pre-trial Conference and evidentiary hearing on **17 November 2016 (Thursday) at nine o'clock in the morning (9:00 A.M.) at the CANORECO's Main Office, J.P. Rizal Street, Barangay 1, Daet, Camarines Norte.**

CANORECO is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general 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, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. CANORECO is also directed to inform its customers within its franchise area, by any other means available and appropriate, of the filing of the Application, the reasons therefor, and of the scheduled hearing thereon.

Let copies of the Application, this Order and the attached Notice of Public Hearing be furnished 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.

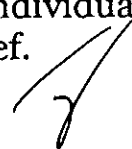
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Provincial Governor and its Local Government Unit (LGU) Legislative Body, the City and Municipal Mayors, and the LGU Legislative Bodies within CANORECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

CANORECO is hereby directed to furnish all those making requests therefor with copies of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and Pre-trial Conference, CANORECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor and Mayors and Local Government Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published, together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

CANORECO and all interested parties are directed 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:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.



Failure of CANORECO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the Pre-trial Conference, CANORECO must also be prepared to make an expository presentation of its 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, 19 September 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:



JOSE VICENTE B. SALAZAR
Chairman

ERC
Office of the Chairman



I-2016-023-OC-05004

Copy Furnished:

1. **DECHAVEZ & EVANGELISTA LAW OFFICES**
Counsel for Applicant CANORECO
Unit 1609-1610 Tycoon Center
Pearl Drive, Ortigas Center, Pasig City
 2. **Camarines Norte Electric Cooperative, Inc. (CANORECO)**
J.P. Rizal Street, Barangay 1, Daet, Camarines Norte
 3. **Office of the Solicitor General**
34 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
 4. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
 5. **Senate Committee on Energy**
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
 6. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
 7. **Office of the Municipal Mayor**
Basud, Camarines Norte
 8. **Office of the Local Government Legislative Body**
Basud, Camarines Norte
 9. **Office of the Municipal Mayor**
Capalonga, Camarines Norte
 10. **Office of the Local Government Legislative Body**
Capalonga, Camarines Norte
 11. **Office of the Municipal Mayor**
Daet, Camarines Norte
 12. **Office of the Local Government Legislative Body**
Daet, Camarines Norte
 13. **Office of the Municipal Mayor**
Jose Panganiban, Camarines Norte
 14. **Office of the Local Government Legislative Body**
Jose Panganiban, Camarines Norte
 15. **Office of the Municipal Mayor**
Labo, Camarines Norte
 16. **Office of the Local Government Legislative Body**
Labo, Camarines Norte
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17. **Office of the Municipal Mayor**
Mercedes, Camarines Norte
18. **Office of the Local Government Legislative Body**
Mercedes, Camarines Norte
19. **Office of the Municipal Mayor**
Paracale, Camarines Norte
20. **Office of the Local Government Legislative Body**
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21. **Office of the Municipal Mayor**
San Lorenzo Ruiz, Camarines Norte
22. **Office of the Local Government Legislative Body**
San Lorenzo Ruiz, Camarines Norte
23. **Office of the Municipal Mayor**
San Vicente, Camarines Norte
24. **Office of the Local Government Legislative Body**
San Vicente, Camarines Norte
25. **Office of the Municipal Mayor**
Sta. Elena Talisay, Camarines Norte
26. **Office of the Local Government Legislative Body**
Sta. Elena Talisay, Camarines Norte
27. **Office of the Municipal Mayor**
Vinzons, Camarines Norte
28. **Office of the Local Government Legislative Body**
Vinzons, Camarines Norte
29. **Office of the Governor**
Province of Camarines Norte
30. **Office of the Local Government Legislative Body**
Province of Camarines Norte
31. **President**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, 355 Sen. Gil Puyat Ave., Makati City
32. **Standards, Compliance and Monitoring Division**
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City

