

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



**IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT, RE: REPAIR, RESTORATION, REPLACEMENT AND/OR REHABILITATION OF SUBSTATION EQUIPMENT, DISTRIBUTION LINES AND TRANSFORMERS, METERING FACILITIES, AND COMMUNICATION INFRASTRUCTURE DAMAGED BY TYPHOON LAWIN, WITH APPLICATION FOR AUTHORITY TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND PRAYER FOR PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2017-013 RC**

**ILOCOS NORTE ELECTRIC COOPERATIVE, INC. (INEC),  
Applicant.**

X -----X

**D O C K E T E D**  
Date: JUL 31 2017  
By: [Signature]

**ORDER**

On 24 February 2017, Ilocos Norte Electric Cooperative, Inc. (INEC) filed an Application seeking the Commission's confirmation and approval of its force majeure event Capital Expenditure Project for the repair, restoration, replacement, and rehabilitation of Substation equipment, distribution lines, transformers, metering facilities, and communication infrastructure damaged by typhoon

Lawin, with authority to secure loan from the National Electrification Administration (NEA) and prayer for provisional authority.

In its Application, INEC alleged the following:

1. INEC is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Suyo, Dingras, Ilocos Norte;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the municipalities of Adams, Bacarra, Badoc, Bangui, Banna, Burgos, Carasi, Currimaog, Dingras, Dumalneg, Marcos, Nueva Era, Pagudpud, Paoay, Pasuquin, Piddig, Pinili, San Nicolas, Sarrat, Solsona and Vintar and the Cities of Laoag and Batac, all in the Province of Ilocos Norte.

#### **LEGAL BASES FOR THE APPLICATION**

3. The instant Force Majeure CAPEX application is being filed pursuant to Section 3.3 of ERC Resolution No. 26 Series of 2009, which provides that if a Force Majeure or Fortuitous Event, as the case may be, occurs, the regulated entity shall seek the Commission's confirmation of the implementation of capital expenditure projects arising from such event.
4. On the other hand, the accompanying application for authority to secure loan from the National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which provides that it shall be unlawful for any public service to issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof, without the approval and authorization of the Commission.

#### **THE FORCE MAJEURE EVENT**

##### **(Typhoon Lawin)**

5. Typhoon 'Lawin' (international name 'Haima') entered the Philippine area of responsibility on October 17, 2016 and was intensified two days later after it made a landfall. Lawin, which reached super typhoon category as it inched closer to Philippine landmass made landfall at the vicinity of Peñablanca, Cagayan at around 11 p.m. on October 19, 2016. Several areas in the path of the super typhoon were placed under Signal No. 5, the highest cyclone warning issued by the Philippine Atmospheric, Geophysical and Astronomical Services Administration (PAG-ASA). Power transmission lines in northern Luzon were cut, affecting the provinces of

La Union, Isabela, Cagayan, Abra, Benguet, Mountain Province, Ilocos Norte, Ilocos Sur, Ifugao, Nueva Vizcaya and Quirino.

6. In the wake of Typhoon Lawin which left an estimated PhP673,493,056.06 worth of damages in Ilocos Norte, the whole province was declared under a state of calamity.
7. Restoration of INEC's facilities took some time due to the extensive damage sustained. It took twenty-two (22) days for the cooperative to restore 100% of its distribution network facility and another fifteen (15) days to restore its communication infrastructure.

#### **DESCRIPTION OF THE PROJECT**

8. The Force Majeure CAPEX Project is for the immediate replacement of the distribution line materials and equipment as well as service drop wires and metering facilities utilized in the reconstruction, repair and rehabilitation of network assets damaged by Typhoon Lawin. The distribution line materials and equipment used during the restoration were sourced from materials and equipment intended for the implementation of the cooperative's CAPEX Projects 2016-2017, which should be immediately replenished to be able to proceed with scheduled construction activities. This application likewise covers the payment of suppliers of the poles and other materials which were procured to fast-track the restoration. The cost of reconstruction of damaged communication infrastructures is also included in the instant application.

#### **PROJECT COST**

9. The total cost of the project is Nineteen Million Six Hundred Seventy Five Thousand Four hundred Forty Six Pesos (PhP 19,675,446.00).

#### **PROJECT SCHEDULE**

10. Repair and restoration works were immediately undertaken after the typhoon left the country. It took 22 days for the cooperative to restore 100% of its distribution network facility and another 15 days for the restoration of its communication infrastructure.

#### **JUSTIFICATIONS OR BENEFITS DELIVERED**

11. The project ensured power restoration in the entire coverage area of INEC and delivery of more reliable and efficient service to its consumers. It was also intended to restore the safety and protection of the cooperative's entire distribution system.

**PROJECT FINANCING PLAN**

12. The total cost of the project is being funded entirely through a Calamity Loan from the National Electrification Administration (NEA) with an interest rate of 3.25% per annum, payable in quarterly amortizations of Five Hundred Seventy Eight Thousand One Hundred Eighteen Pesos (PhP 578,118.00) for a period of ten (10) years. Amortization payments will be covered by the cooperative's collections of Reinvestment Fund for Sustainable CAPEX (RFSC).

**INDICATIVE RATE IMPACT**

13. There shall be no increase in the RFSC Rate in the implementation of the subject Force Majeure CAPEX project. The table below shows the Cash Flow Analysis of the RFSC for years 2017-2019:

	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>TOTAL</b>
Energy Sales Forecast, kWh	262,691,655	274,643,847	286,740,043	824,075,546
Approved RFSC Rate, PhP/kWh	0.2752	0.2752	0.2752	0.2752
<b>Cash Balance Beginning, PhP, Excess/(Shortfall)</b>	<b>51,417,984.68</b>	<b>11,833,041.45</b>	<b>15,904,481.03</b>	<b>51,417,984.68</b>
<b>CASH INFLOWS</b>				
Current Year RFSC Collection, PhP	72,292,743.58	75,581,986.77	78,910,859.81	226,785,590.16
NEA Calamity Loan	19,675,446.00			19,675,446.00
Total Cash Inflows, PhP	91,968,189.58	75,581,986.77	78,910,859.81	246,461,036.16
<b>Available Cash for Disbursement, PhP</b>	<b>143,386,174.26</b>	<b>87,415,028.22</b>	<b>94,815,340.84</b>	<b>297,879,020.84</b>
<b>CASH OUTFLOW</b>				
CAPEX Amortization, PhP (Existing loan)	16,573,250.00	16,573,250.00	16,573,250.00	49,719,750.00
CAPEX Requirement, PhP (2010-12 Approved CAPEX)	91,576,883.25	30,525,627.75		122,102,511.00
CAPEX Amortization, PhP (2010-12 CAPEX Loan)	18,925,760.00	18,925,760.00	18,925,760.00	56,777,280.00
Amortization - NEA Calamity Loan	1,156,235.72	2,312,471.44	2,312,471.44	5,781,178.59
Amortization - Transco SubTransmission Assets	3,173,438.00	3,173,438.00	3,173,438.00	9,520,314.00
ERC Permit Fees, PhP	147,565.85			147,565.85
<b>Total Cash Outflow, PhP</b>	<b>131,553,132.81</b>	<b>71,510,547.19</b>	<b>40,984,919.44</b>	<b>244,048,599.44</b>
<b>Cash Balance Ending, PhP, Excess/(Shortfall)</b>	<b>11,833,041.45</b>	<b>15,904,481.03</b>	<b>53,830,421.41</b>	<b>53,830,421.41</b>

**APPLICATION FOR AUTHORITY TO SECURE LOAN FROM NEA  
WITH PRAYER FOR PROVISIONAL AUTHORITY**

14. As stated above, funding for the subject project is being sourced through a Calamity Loan from the NEA hence, this application for authority to secure said loan. Considering further, the urgency of the funding requirement, the cooperative likewise seeks provisional authority from the Honorable Commission to immediately secure said loan from NEA to enable it to procure the replacement materials needed in its on-going CAPEX projects implementation as well as pay its suppliers for the other materials procured for the repair and restoration activities.

**SUBMISSIONS**

15. Finally, in support of the instant application, INEC is submitting herewith the following documents which are being made integral parts hereof, as follows:

Annex Markings	Nature of Document
A	Notice of Force Majeure Event
B	Executive Summary of the Force Majeure Event Capital Expenditure Project
C	Supporting documents for the application for authority to secure loan from NEA
D to D-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Dingras and the Sangguniang Panlalawigan of Ilocos Norte
E to E-2	Publication of the Application in a newspaper of general circulation within INEC's franchise area or where it principally operates, with Affidavit of Publication.

**PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission, that:

1. Immediately upon filing and initial evaluation hereof, INEC be permitted to secure loan from the National Electrification Administration (NEA) to finance the subject project; and
2. after due notice and hearing, the repair, restoration, replacement and/or rehabilitation of substation equipment, distribution lines and transformers, service dropwires and metering facilities and communication infrastructure which

were ravaged by Typhoon Lawin on October 19, 2016, be confirmed and approved, and the cooperative's calamity loan secured from NEA to finance the subject project be authorized and approved accordingly.

Other reliefs, just and equitable in the premises, are likewise prayed for.

Finding the said Application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional, expository presentation, Pre-trial Conference and evidentiary hearings on **30 August 2017 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at INEC's Main Office in Suyo, Dingras, Ilocos Norte.**

Accordingly, INEC 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 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 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 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 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 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:

- (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 thereof 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 Applicants 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.

INEC 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, 18 July 2017.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**ALFREDO J. NON**  
*Officer-in-Charge of ERC*



**ERC CASE NO. 2017-013 RC**  
**ORDER/ 18 JULY 2017**  
**PAGE 9 OF 11**

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Copy furnished:

1. Atty. Ronald Ryan Sandigan  
Counsel for INEC  
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2. Ilocos Norte Electric Cooperative, Inc. (INEC)  
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3. Office of the Solicitor General  
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4. Commission on Audit  
Commonwealth Ave., Quezon City
5. The Senate Committee on Energy  
GSIS Building, Roxas Boulevard, Pasay City
6. The House Committee on Energy  
Batasan Hills, Quezon City
7. Office of the Mayor  
Adams, Ilocos Norte
8. Office of the Local Government Unit (LGU) legislative body  
Adams, Ilocos Norte
9. Office of the Mayor  
Bacarra, Ilocos Norte
10. Office of the LGU legislative body  
Bacarra, Ilocos Norte
11. Office of the Mayor  
Badoc, Ilocos Norte
12. Office of the LGU legislative body  
Badoc, Ilocos Norte
13. Office of the Mayor  
Bangui, Ilocos Norte
14. Office of the LGU legislative body  
Bangui, Ilocos Norte
15. Office of the Mayor  
Banna, Ilocos Norte
16. Office of the LGU legislative body  
Banna, Ilocos Norte
17. Office of the Mayor  
Burgos, Ilocos Norte
18. Office of the LGU legislative body  
Burgos, Ilocos Norte
19. Office of the Mayor  
Carasi, Ilocos Norte

**ERC CASE NO. 2017-013 RC**  
**ORDER/ 18 JULY 2017**  
**PAGE 10 OF 11**

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20. Office of the LGU legislative body  
Carasi, Ilocos Norte
21. Office of the Mayor  
Currimao, Ilocos Norte
22. Office of the LGU legislative body  
Currimao, Ilocos Norte
23. Office of the Mayor  
Dingras, Ilocos Norte
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Vintar, Ilocos Norte
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Vintar, Ilocos Norte
49. Office of the City Mayor  
Batac, Ilocos Norte
50. Office of the LGU legislative body  
Batac, Ilocos Norte
51. Office of the City Mayor  
Laoag, Ilocos Norte
52. Office of the LGU legislative body  
Laoag, Ilocos Norte
53. Office of the Governor  
Ilocos Norte
54. Office of the LGU legislative body  
Ilocos Norte
55. National Grid Corporation of the Philippines (NGCP)  
Quezon Avenue corner BIR Road, Diliman, Quezon City
56. Regulatory Operations Service  
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