

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, NAMELY: REPAIR OF DISTRIBUTION LINES, RECONNECTION AND/OR REPLACEMENT OF SERVICE DROP WIRES AND REPLACEMENT OF KILOWATT-HOUR METERS DAMAGED BY THE ONSLAUGHT OF SUPER TYPHOON ROLLY ON NOVEMBER 1, 2020 AND TYPHOON ULYSSES ON NOVEMBER 11, 2020**

**ERC CASE NO. 2021-086 RC**

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

**Applicant.**

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**Promulgated:**

January 13, 2022

**ORDER**

On 22 October 2021, Camarines Norte Electric Cooperative, Inc. (CANORECO), filed an *Application* dated 03 September 2021 seeking the Commission's approval of the force majeure event capital expenditure project, namely: repair of distribution lines, reconnection and/or replacement of service drop wires and replacement of kilowatt-hour meters damaged by the onslaught of Super Typhoon Rolly on 01 November 2020 and Typhoon Ulysses on 11 November 2020.

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

**THE APPLICANT**

1. CANORECO 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 J.P. Rizal St., Brgy. 1, Daet, Camarines Norte;
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 Norte, namely: Basud, Daet, Labo, San Lorenzo Ruiz, San Vicente, Talisay, Jose Panganiban, Vinzons, Paracale, Capalonga, Sta. Elena and Mercedes.

**LEGAL BASIS FOR THE APPLICATION**

3. The instant 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 ERC's confirmation of the implementation of capital expenditure projects arising from such event.

**THE FORCE MAJEURE EVENTS**  
**(Super Typhoon Rolly and Typhoon Ulysses)**

4. On November 1, 2020, at 4:50 A.M., Super Typhoon Rolly with international name "Goni", made its first landfall in the Island of Catanduanes at peak intensity as a Category 5 - equivalent to super typhoon, bringing violent, catastrophic winds to areas near the eye of the storm. In its update, the NDRRMC said a total of PhP8.47 billion worth of roads, bridges, flood control systems, schools and government buildings were damaged in the Cordillera Administrative Region, National Capital Region, Ilocos, Cagayan Valley, Central Luzon, Calabarzon, Mimaropa, Bicol and Eastern Visayas;
5. By 8:00 A.M, Super Typhoon Rolly crossed the southern Luzon particularly Bicol Region, with maximum sustained winds up to 220 km/h near the center and gustiness of up to 315 km/h, causing widespread total black out in the region, and partially devastating the whole coverage area of CANORECO, leaving the cooperative with extensive damage on its distribution lines, service drop wires and kilowatt-hour meters. The whole area coverage experienced total black out until power was fully restored on November 10, 2020;
6. Just a few days after the onslaught of Super Typhoon Rolly, on November 11, 2020, Typhoon Ulysses with international name "Vamco", passed through along the coastal area of Bicol Region with maximum sustained winds upto 130 km/h near the center and gustiness of up to 176 km/h. It made its first landfall near midnight on November 11 in Quezon Province as a Category 2-equivalent typhoon. Typhoon Ulysses partly

devastated the whole coverage area of CANORECO leaving the distribution utility with extensive damage on its distribution lines, service drop wires and kilowatt-hour meters. The whole area coverage experienced total black out until electric power was fully restored on December 01, 2020 on the on-grid areas and December 11, 2020 on the off-grid areas.

**COMPLIANCE WITH NOTICE REQUIREMENT**

7. In compliance with Section 3.3 of ERC Resolution No. 26, Series of 2009, on 02 February 2021, CANORECO submitted to the Honorable Commission a Notice of Force Majeure Event pertaining to Super Typhoon Rolly and Typhoon Ulysses and the damages sustained by the cooperative's properties from the onslaught of the typhoons.

**DESCRIPTION OF THE PROJECT**

8. The capital expenditure project subject of the instant application consists of the repair and/or replacement of distribution lines and poles, replacement of distribution transformers, replacement and reconnection of cut-off service drop wires and replacement of kilowatt-hour meters, which were damaged by the onslaught of the two typhoons.

**JUSTIFICATIONS AND BENEFITS DELIVERED BY THE PROJECT**

9. The immediate reconstruction, repair and replacement of distribution lines and distribution transformers, replacement and reconnection of service drop wires and replacement of kilowatt-hour meters which were damaged by the onslaught of the two typhoons are essential to restore power and re-energize the affected government offices, vital facilities and member-consumer-owners of the cooperative.

**PROJECT SCHEDULES**

10. The schedules for project implementation are presented below, as follows:

Project		Typhoon Rolly	Typhoon Ulysses
1	Repair and replacement of distribution lines and replacement of distribution transformers	Started on November 2, 2020 and completed on November 30, 2020.	Started on November 12, 2020 and completed on December 11, 2020.
2	Replacement and reconnection of service drop	Started on November 2, 2020 and completed on November 15, 2020.	Started on November 12, 2020 and completed on December 11, 2020

	wires and replacement of kilowatt-hour meters		
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**PROJECT COST**

11. The total project cost amounts to Sixteen Million Three Hundred Eighty Six Thousand Six Hundred Seventy Two Pesos and 94/100 (PhP16,386,672.94) broken down, as follows:

Typhoon	Material	Labor	Overhead	Total
Rolly	3,919,168.05	937,489.68	248,070.08	5,104,727.81
Ulysses	8,412,548.41	2,375,961.60	493,435.12	11,281,945.13
	Grand Total			16,386,672.94

**PROJECT FINANCING**

12. Due to the urgency to restore electricity and provide stable and efficient delivery of service to the affected consumers, CANORECO initially funded the project implementation out of its General Fund, thereby also avoiding loan amortizations and interest payments to lending institutions. Once Reinvestment Fund for Sustainable Expenditure (RFSC) becomes available to cover the project, the same shall be transferred to the General Fund.

**INDICATIVE RATE IMPACT**

13. CANORECO's force majeure event capital expenditure is reasonable as it has insignificant rate impact to its member-consumer-owners. The indicative cost of the capital expenditure is based on the cooperative's annual cash flow cost for a 2-year period, which reflects positive result for the first year and negative result for the second year, and yields to a negative PhP0.1040/kWh for the 2-year recovery period, which indicates shortfall in the current RFSC rate, as show in the table below, as follows:

PARTICULARS	Year 2020	Year 2021	TOTAL
Actual Energy Sales, kWh	186,436,854.86	192,923,000.00	379,359,854.86
Existing RFSC, Rate, PhP kWh	0.4268	0.4268	0.4268
Beginning Balance, PHP, excess/(shortfall)	23,223,267.60	26,227,579.67	49,450,847.27
Total	23,223,267.60	26,227,579.67	49,450,847.27

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<b>FUND INFLOWS</b>			
Actual RFSC Collection, PhP	66,147,720.83	75,752,373.49	141,900,094.32
50% Income on leased properties, PhP	3,387,834.76	3,557,226.50	6,945,061.26
Government Subsidy, PhP	-	-	-
Proposed Loan Proceeds From Financial Ins.	-	-	-
Approved Financial Proceeds from Financial Ins.	-	-	-
Proposed Loan Proceeds From Financial Ins. <sup>1</sup>	31,798,316.00	40,000,000.00	71,798,316.00
<b>Total Fund Inflows, PhP</b>	<b>124,557,139.19</b>	<b>145,537,179.66</b>	<b>270,094,318.85</b>
<b>Available Fund for Disbursement</b>			
<b>FUND OUTFLOWS</b>			
Proposed CAPEX Requirement (Total cost incurred/ cost to be incurred) <sup>2</sup>	3,277,334.59	3,277,334.59	6,554,669.18
Approved CAPEX Requirement (Approved total cost incurred)		-	-
Proposed CAPEX Requirement (Total cost incurred/cost to be incurred) <sup>3</sup>	56,798,316.00	172,789,568.10	229,587,884.10
Proposed Annual Amortization	-	-	-
Approved Annual Amortization	36,680,617.59	35,164,076.36	71,844,693.95
Proposed Annual Amortization	-	-	-
Other Fees relative to CAPEX Application	-	-	-
Proposed ERC Permit Fees	111,827.34	-	111,827.34
Approved ERC Permit Fees	1,461,464.00		1,461,464.00
Proposed ERC Permit Fees	-	-	-
<b>Total Fund Outflows, PhP</b>	<b>98,329,559.52</b>	<b>211,230,979.05</b>	<b>309,560,538.57</b>
Ending Balance, PhP, excess/(shortfall)	26,227,579.67	(65,693,799.39)	(39,466,219.72)
<b>Rate Impact on RFSC, PhP/KWh, excess/(shortfall)</b>	<b>0.1407</b>	<b>(0.3405)</b>	<b>(0.1040)</b>

<sup>1</sup> Proposed Loan Proceeds (2020) of PhP31, 798, 316.00 - proceeds for Lag-on Substation Proposed Loan Proceeds (2021) of PhP40, 000, 000.00 - proceeds for Talobatib Substation

<sup>2</sup> Proposed CAPEX Requirements of PhP3, 277, 334.59 is based on the Proposed Recovery Scheme in Table 5.1.

<sup>3</sup> Proposed CAPEX for year 2020 of PhP56, 798, 316.00 is for the 10MVA Calintaan Substation Emergency CAPEX of PhP25, 000, 000.00 and 20MVA Lag-on Substation Emergency CAPEX of PhP 31, 798, 316.00. Proposed CAPEX for year 2021 of PhP132, 789, 568.10 is for the Approved Cash Operating Budget of PhP132, 789, 568.10 and 10MVA Talobatib Substation Emergency CAPEX of PhP 40, 000, 000.00.

**COMPLIANCE WITH DOCUMENTARY AND PRE-FILING REQUIREMENTS**

14. Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 and pre-filing requirements under the ERC's Revised Rules of Practice and Procedure, the following documents are being submitted herewith to form integral parts hereof as follows, to wit:

Markings	Description of Documents
Annex "A"	Notice of Force Majeure Event
Annex "B"	Write up on the Force Majeure Event Capital Expenditure Project
Annex "C" series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Bayan of Daet and Governor and Sangguniang Panlalawigan of Camarines Norte
Annex "D" series	Proof of publication of the Application in a newspaper of general circulation in CANORECO's franchise area or where it principally operates

**PRAYER**

**WHEREFORE**, premises considered, Applicant Camarines Norte Electric Cooperative, Inc. (CANORECO) respectfully prays of this Honorable Commission that after due notice and hearing, the reconstruction, repair and/or replacement of distribution lines, replacement of distribution transformers, repair or replacement and reconnection of service drop wires and replacement of kilowatt-hour meters which were damaged by the onslaught of Super Typhoon Rolly on November 1, 2020 and Typhoon Ulysses on November 11, 2020, be confirmed and approved, and the cooperative be allowed to recover the full cost thereof.

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

Finding the said *Application* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>4</sup> dated 24

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<sup>4</sup>Entitled: A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission;

September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):<sup>5</sup>

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>22 February 2022</b> (Tuesday) at nine o'clock in the morning (9:00 AM)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and expository presentation
<b>01 March 2022</b> (Tuesday) at nine o'clock in the morning (9:00 AM)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence

**RELATIVE THERETO**, CANORECO is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual 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 virtual hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* CANORECO's Offices of the Provincial Governor, Municipal Mayors, and their respective Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the affected franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Office of the Solicitor General (OSG),

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<sup>5</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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 the resolution of the prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.<sup>6</sup>

Within five (5) calendar days prior to the date of the virtual hearing, CANORECO must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of 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 Virtual Hearing* consisting of the affidavit of the Editor or Business Manager of the newspapers where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspaper;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Municipal Mayors, and their respective LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by CANORECO to inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual 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, except those covered by any motion for confidential treatment of information, if any; and

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<sup>6</sup> For the e-mail address of the applicant, please see page 12.



- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, CANORECO is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publication and certifications issued by the concerned Offices of the Governors, City and Municipal Mayors and their Local Legislative Bodies, and to submit proof of its posting thereof.

CANORECO and all interested parties are also required to submit via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled virtual 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 therefor, which should be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

CANORECO must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of CANORECO 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.

CANORECO 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.

CANORECO is directed to file a copy of its Expository Presentation via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. PSALM shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

CANORECO is further directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.


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Finally, CANORECO, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**SO ORDERED.**

Pasig City, 03 January 2022.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: EDR/CLB/MCCG



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Province of Camarines Norte
4. Office of the Local Government Unit (LGU) legislative body  
Province of Camarines Norte
5. Office of the Mayor  
Basud, Camarines Norte
6. Office of the Local Government Unit (LGU) legislative body  
Basud, Camarines Norte
7. Office of the Mayor  
Daet, Camarines Norte
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San Lorenzo Ruiz, Camarines Norte
12. Office of the Local Government Unit (LGU) legislative body  
San Lorenzo Ruiz, Camarines Norte
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San Vicente, Camarines Norte
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15. Office of the Mayor  
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21. Office of the Mayor  
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22. Office of the Local Government Unit (LGU) legislative body  
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23. Office of the Mayor  
Capalonga, Camarines Norte
24. Office of the Local Government Unit (LGU) legislative body  
Capalonga, Camarines Norte
25. Office of the Mayor  
Sta. Elena , Camarines Norte
26. Office of the Local Government Unit (LGU) legislative body  
Sta. Elena , Camarines Norte
27. Office of the Mayor  
Mercedes, Camarines Norte
28. Office of the Local Government Unit (LGU) legislative body  
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31. Senate Committee on Energy  
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32. House Committee on Energy  
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