

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
ELECTRIC CAPITAL
EXPENDITURE PROJECTS
FOR THE YEAR 2022 TO 2024
AND AUTHORITY TO SECURE
LOAN FROM NEA AND/OR
OTHER BANKS AS THE CASE
MAYBE, WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2021-066 RC

**AURORA ELECTRIC
COOPERATIVE, INC.
(AURELCO),**
Applicant.

Promulgated:
September 10, 2021

X-----X

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 23 August 2021, Aurora Electric Cooperative, Inc. (AURELCO) filed an *Application* dated 08 June 2021, seeking the Commission's approval of its proposed Capital Expenditure (CAPEX) projects for the Year 2022 to 2024 and authority to secure loan from the National Electrification Administration (NEA) and/or other banks with prayer for provisional authority.

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

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines with principal office at Brgy. Reserva Baler, Aurora where it may be served with summons and other legal processes, represented in this instance by its General Manager, Noel DV. Vedad, of legal age, Filipino, married and with office address also at Brgy. Reserva, Baler, Aurora;

ERC CASE NO. 2021-066 RC
NOTICE OF VIRTUAL HEARING/ 01 SEPTEMBER 2021
PAGE 2 OF 8

2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the eight (8) municipalities of the province of Aurora, namely the Municipality of Baler, San Luis, Maria Aurora, Dipaculao, Casiguran, Dinalungan, Dilasag, and Dingalan. Also serving the Municipality of Dinapigue in the province of Isabela, Alfonso Castaneda in the province of Nueva Vizcaya and Brgy. Umiray, General Nakar, Quezon province;
3. That the applicant, AURELCO, consumer profile showed that of the total 53,342 consumers; 48,861 are residential, 4,477 Low Voltage and 4 High Voltage customers;
4. That the applicant, AURELCO's energy demand reached approximately 64,196,934 kWhr at the end of 2020 and forecast estimates indicate that the applicant will have an energy demand growth rate of 8.05% from 2021-2024. It is expected that the energy demand will reach as high as 98,841,266 kWhr at the year 2024;
5. That AURELCO gets the bulk of power for distribution to its coverage area through the transmission system facilities operated and maintained by the National Grid Corporation of the Philippines (NGCP) which derived its power from Masinloc Power Partners Company, Ltd (MPPCL);
6. That applicant has identified eight (8) projects, classified according to the projects that intends to address load growth, projects that intends to reduce system losses, projects than intends to improve system reliability, efficiency and power quality and more importantly for safety. The following are the proposed projects for implementation upon economic and financial feasibility:

I. SUMMARY OF THE PROPOSED CAPITAL PROJECTS (2022-2024)

No.	PROJECT NAME	PROJECT TYPE	PROPOSED PROJECT COST (PHP)			TOTAL (Php)
			2022	2023	2024	
	Primary Distribution Development Projects					
01	Replacement of Rotten Poles and Crossarms	Safety	3,365,500.00	3,340,900.00	3,340,900.00	10,047,300.00
02	Installation of Additional Distribution Transformers	Capacity	5,149,000.00	5,575,000.00	5,251,000.00	15,975,000.00
03	Procurement of line, hardware materials, equipment and conductor	Reliability	6,695,115.00	6,695,115.00	6,695,115.00	20,085,345.00
04	Buffer Stock	Reliability	36,430,205.00	36,430,205.00	36,430,205.00	109,290,615.00
	Other Network Development Projects					
05	New kWhr meter and service drop wires for service dropping (new customers)	Load Growth	4,767,002.00	4,638,330.00	4,519,294.00	13,924,626.00
06	New kWhr meter for Change meter	System Loss	3,165,050.00	3,165,050.00	3,165,050.00	9,495,150.00
	Non-Network Development Projects					
07	Lineman tools/safety gadgets	Safety	1,739,800.00	1,338,800.00	1,367,100.00	4,445,700.00

ERC CASE NO. 2021-066 RC
NOTICE OF VIRTUAL HEARING/ 01 SEPTEMBER 2021
PAGE 3 OF 8

o8	Lot Purchase and Construction of Service Center Building in Dinapigue, Isabella	Land Right and Building Structure	1,000,000.00	3,999,846.98		4,999,846.98
	TOTAL		62,311,672.00	65,183,246.98	60,768,664.00	188,263,582.98

7. That as a result of the said project, the cooperative has calculated the indicative rate impact as follows:

INDICATIVE RATE IMPACT OF THE PROJECT

	2021	2022	2023	2024	Total
Forecast energy sales, kWh	66,285,938	71,308,178	76,264,796	81,154,856	295,013,768.00
RFSC Rate Php/kWh (0.9512)					
Cash Balance beginning, Php excess (shortfall)	29,518,922.98	(36,611,647.97)	(104,845,009.92)	(171,913,829.24)	29,518,922.98
Cash Inflows					
Actual RFSC Collection Php	63,051,184.23	67,828,338.91	72,543,073.96	77,194,499.03	280,617,096.12
50% of income on leased properties	152,422.50	152,422.50	152,422.50	152,422.50	609,690.00
Proposed loan proceeds from financial institutions – Php (CAPEX 2022-2024)		37,430,205.00	40,430,051.98	36,430,205.00	114,290,461.98
Proposed Loan Proceeds from financial Institution (ERC Case No. 2018-024 RC) – CAPEX 2019 - 2021	143,844,892.88				143,844,892.88
Total Cash Inflows Php	207,048,499.61	105,410,966.41	113,125,548.44	113,777,126.53	539,362,140.98
Available cash for disbursement	236,567,422.59	68,799,318.44	8,280,538.51	(58,136,702.72)	568,881,063.96
Cash Outflows					
Proposed CAPEX requirement Php (CAPEX 2022-2024)		62,311,672.00	65,183,246.98	60,768,664.00	188,263,582.98
Proposed CAPEX requirement Php (ERC Case No. 2018-024 RC)	213,127,464.73				213,127,464.73
Proposed Annual amortization (new CAPEX 2022-2024), Php		5,054,780.41	10,514,676.62	15,434,411.54	31,003,868.57
Old debt (existing loan amortization)	8,562,394.00	7,720,808.00	7,595,968.00	7,471,128.00	31,350,298.00
Approved Annual Amortization (ERC Case No. 2017-114 RC) CAPEX 2014-2018	29,636,055.84	77,835,030.42	76,156,901.80	74,404,363.75	258,032,351.18
Proposed annual amortization Php (ERC No. 2018-102 RC) EMERGENCY CAPEX	5,006,880.00	5,006,880.00	5,006,880.00	5,006,880.00	20,027,520.00
Proposed annual amortization Php (ERC Case No. 2018-024 RC) CAPEX 2019-2021	15,247,820.00	15,247,820.00	15,247,820.00	15,247,820.00	60,991,280.00
Proposed ERC Permit Fee, Php (CAPEX 2022-2024)		467,337.54	488,874.35	455,764.98	1,411,976.87
Proposed ERC Permit Fee, Php (ERC Case No. 2018-102 RC) CAPEX 2019-2021	1,598,455.99				1,598,455.99
Total Cash Outflows, Php	273,179,070.56	173,644,328.37	180,194,367.75	178,789,032.27	805,806,798.95
Cash balance ending, Php, excess/(shortfall)	(36,611,647.97)	(104,845,009.92)	(171,913,829.24)	(236,925,734.98)	(236,925,734.98)
Excess (shortfall) on RFSC, Php/kWh	(0.5523)	(1.4703)	(2.2542)	(2,9194)	(0.8031)

Reinvestment Fund Rate: 0.9512

Lease Properties Annual Income: 304,845

8. The total cost of the Proposed Capital Expenditure Projects for the Year 2022-2024 is in the amount of Php 188,263,582.98. Based on the Summary of Proposed Capital Expenditure Projects for the Year 2022-2024, AURELCO needs to apply loan to NEA amounting to Php 114,290,461.98 with the rate of 6% per annum payable in 10 years and the remaining balance of Php 73,973,121.00 will be funded by Reinvestment Fund for Sustainable CAPEX (RFSC);
9. AURELCO made a financial projection using the projected kwh sales as basis of its computation for the year 2021 to 2024 with the total of PhP 295,013,768 kWh. This includes also the balance of Reinvestment Fund for the year 2020 amounting to PhP 29,518,922.98 as per Audited Financial Report and the Utilization of Reinvestment Fund for Sustainable CAPEX (RFSC) Report;
10. AURELCO prepared the simulation of the Indicative Rate Impact of the Project which shows that AURELCO need to secure loan to NEA with the rate of 6% per annum payable within 10 years, because the implementation of the project will affect the cash outflow due to amortization cost. AURELCO found out also based on the simulation that the existing Reinvestment Fund for Sustainable Capital Expenditures (RFSC) of 0.9512/kWh is not sufficient to finance the amortization of its proposed projects with a deficit/shortfall of 0.8031/ kWh;
11. That the proposed projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC) and other relevant government issuances, and in accordance with ERC Resolution on capital projects;
12. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submit the following documents, as follows:
 - a. Executive Summary
 - b. Description of the Project; Justification and Impact study on the System and Option/Alternatives considered in lieu of the proposed project;
 - c. Project Financing Plan
 - d. Five-Year Historical and Forecast planning Data
 - e. Technical Analysis
 - f. Project Financial and Economic Cost Analysis
 - g. Project Cost Estimates
 - h. Financing

- i. Indicative Rate Impact of the Project
 - j. Project Duration
 - k. Single Line Diagram
 - l. Conceptual Engineering Design and Drawings
 - m. Board Resolution approving the proposed projects
 - n. Sworn Statement/ Verification
 - o. Compliance with the pre-filing requirements:
 - i. AURELCO Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents;
 - ii. Certification from the Presiding Officer or Secretary of the Sangguniang Bayan of Baler, Aurora and of the Sangguniang Panlalawigan of Aurora and, or their duly authorized representatives attesting to the fact that Applicant has furnished the respective legislative body of the local government unit and the Sangguniang Panlalawigan; and
 - iii. Affidavit of Publication and Newspaper issue containing the published Application in its entirety in a newspaper of general circulation in AURELCO's franchise area.
13. That the approval of the proposed capital expenditure projects is needed to maintain efficient, reliable, and safety delivery of power to AURELCO's existing and future consumers, and will redound to the benefit of the consuming public.

PRAYER

WHEREFORE, foregoing premises considered, it is respectfully prayed of this Honorable Commission that pending hearing, the herein submitted application for approval of proposed electric capital expenditure projects and authority to secure loan from the National Electrification Administration be provisionally approved ex parte; and the applicant be authorized to adopt and implement the same effective upon such approval and after due to (*sic*) notice and hearing and consideration, the application be approved permanently.

Other relief/s just or equitable in the premises are likewise prayed for under the premises (*sic*).

ERC CASE NO. 2021-066 RC
NOTICE OF VIRTUAL HEARING/ 01 SEPTEMBER 2021
PAGE 6 OF 8

The Commission has set the *Application* 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 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

Date	Platform	Activity
06 October 2021 (Wednesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
13 October 2021 (Wednesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Accordingly, AURELCO is hereby directed to host the virtual hearings at **AURELCO's Principal Office at Brgy. Reserva, Baler, Aurora** as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, AURELCO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through 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.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.


Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

(This space is intentionally left blank.)

ERC CASE NO. 2021-066 RC
NOTICE OF VIRTUAL HEARING/ 01 SEPTEMBER 2021
PAGE 8 OF 8

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 1st day of September 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: SQD/LSP/MCCG