

Republic of the Philippines
ENERGY REGULATORY COMMISSION
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.

Promulgated:
January 13, 2022

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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.

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2	Replacement and reconnection of service drop wires and replacement of kilowatt-hour meters	Started on November 2, 2020 and completed on November 15, 2020.	Started on November 12, 2020 and completed on December 11, 2020
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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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FUND INFLOWS			
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. ¹	31,798,316.00	40,000,000.00	71,798,316.00
Total Fund Inflows, PhP	124,557,139.19	145,537,179.66	270,094,318.85
Available Fund for Disbursement			
FUND OUTFLOWS			
Proposed CAPEX Requirement (Total cost incurred/ cost to be incurred) ²	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) ³	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	-	-	-
Total Fund Outflows, PhP	98,329,559.52	211,230,979.05	309,560,538.57
Ending Balance, PhP, excess/(shortfall)	26,227,579.67	(65,693,799.39)	(39,466,219.72)
Rate Impact on RFSC, PhP/KWh, excess/(shortfall)	0.1407	(0.3405)	(0.1040)

¹ 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

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

³ 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.

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 2020⁴ dated 24 September 2020 and Resolution No. 1, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):⁵

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

⁵ Entitled: *A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.*

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

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 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

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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 hearing 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 hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 03rd day of January 2022 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO

ERC

Office of the Chairperson



AVSTD-2022-01-510-0026


LS: EDR/CLB/MCCG