

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF EMERGENCY
CAPITAL EXPENDITURE
PROJECT, NAMELY:
ACQUISITION OF BRAND
NEW 15MVA POWER
TRANSFORMER,
INCLUDING ITS PRIMARY
AND SECONDARY
PROTECTIONS, FOR
BOBOLOSAN SUBSTATION**

ERC CASE NO. 2021-027 RC

**NORTHERN SAMAR
ELECTRIC COOPERATIVE,
INC. (NORSAMELCO),
*Applicant.***

Promulgated:
April 30, 2021

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 16 April 2021, Northern Samar Electric Cooperative, Inc. (NORSAMELCO) filed an *Application* seeking the Commission's approval of its Emergency Capital Expenditure Project, namely: acquisition of brand new 15 MVA power transformer, including its primary and secondary protections, for the Bobolosan Substation.

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

1. NORSAMELCO 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. Magsaysay, Bobon, Northern Samar;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in all the municipalities of the

province of Northern Samar, namely: San Isidro, Victoria, Allen, Lavezares, Rosario, San Jose, Bobon, Lope de Vega, Mondragon, Catarman, San Vicente, Capul, San Antonio, Biri, San Roque, Pambujan, Silvino Lobos, Laoang, Catubig, Las Navas, Palapag, Mapanas, Gamay and Lapinig.

LEGAL BASES FOR THE APPLICATION

3. NORSAMELCO submits the instant application for the Honorable Commission's consideration and approval of its Emergency Capital Expenditure (CAPEX) Project, namely: Acquisition of Brand New 15MVA Power Transformer, including its Primary and Secondary Protections for Bobolosan Substation, pursuant to Republic Act No. 9136, ERC Resolution 26, Series of 2009 and other laws and rules, and in line with its mandate to provide quality, safe, efficient and reliable electric service to electric consumers in its franchise area.

STATEMENT OF THE FACTS

4. NORSAMELCO has three (3) existing substations which are located in the municipalities of Bobon, Allen and Laoang, respectively;
5. The Laoang Substation, also known as Bobolosan Substation, serves eight (8) municipalities, namely: Laoang, Pambujan, Catubig, Las Navas, Palapag, Mapanas, Gamay and Lapinig.
6. Presently, Bobolosan Substation has a combined capacity of 10 MVA from two 5-MVA power transformers. One of the power transformers was just recently borrowed from the Leyte II Electric Cooperative, Inc. (LEYECO II), after the 3.75 MVA power transformer at the substation has been rendered idle, and shall to be pulled out anytime NORSAMELCO is able to install a new power transformer at the substation.
7. The idle 3.75 MVA power transformer at Bobolosan Substation was manufactured way back in 1976 or forty-four (44) years ago. On October 29, 2019, said transformer underwent testing and was found to have leaks on the secondary neutral bushing and possibly on the bucholz relay which can cause insulation deterioration and equipment failure. It previously underwent filtering and rehabilitation in 2004 due to explosion, and was refurbished after testing in 2017. The testing conducted in 2017 and 2019 showed the rapid deterioration of the transformer in just two years. The power transformer at 44 years old, highly surpassed the 35 years transformer lifespan.

PROJECT DESCRIPTION

8. The project subject of the instant application is the Installation of a Brand New 15 MVA Power Transformer, including its primary and secondary protections, in

replacement of the 3.75 MVA and 5 MVA transformers at Bobolosan Substation.

PROJECT SCHEDULE

9. The project shall be implemented within the current year, 2021.

PROJECT JUSTIFICATION

10. The proposed new power transformer shall replace the 44-year old and dilapidated 3.75 MVA power transformer at Bobolosan Substation. During the power transformer testing conducted on October 29, 2019, the transformer was found to have leaks on the secondary neutral bushing and possibly on the bucholz relay which can cause insulation deterioration and equipment failure. Further, said power transformer has undergone filtering and rehabilitation in 2004 due to explosion, and was also refurbished after the testing in 2017. Its Insulation Power Factor values are above the minimum limit and insulation resistance at 5 kV are below the minimum limit. These results are considered unsatisfactory.
11. Aside from dilapidation from 44 years of operation which has highly surpassed the 35-year transformer lifespan, the 3.75 MVA power transformer is having capacity issues considering the incoming big loads to be served by the Bobolosan Substation.
12. The NORSAMELCO-owned 5MVA power transformer at Bobolosan Substation shall be transferred to another substation upon energization of the proposed 15 MVA power transformer.

PROJECT FINANCING

13. The total cost of the project in the amount of PhP21,262,500.00 shall be financed through obtaining loans from financial institutions.
14. It was determined that securing a loan to finance the project would be beneficial to both the cooperative and its member-consumer-owners (MCOs) in that, speedy implementation of the project will be ensured as funds are readily available and the implementation of rate increase would be gradual, making it less burdensome to the MCOs.

INDICATIVE RATE IMPACT

15. Rate impact analysis showed that NORSAMELCO's projected collection of Reinvestment Fund for Sustainable Capital Expenditure (RFSC) is not sufficient to cover the annual capital project cost of the proposed project. Thus, there is a need to increase its RFSC rate to be able to realize the projects. The indicative rate increase for years 2021 to 2024,

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respectively, are as follows: PhPo.7793/kWh; PhPo.5175/kWh; PhPo.2686/kWh; and PhPo.0260/kWh, respectively. The table below shows the rate impact of the implementation of the proposed projects, to wit:

RATE IMPACT EMERGENCY CAPEX	2021	2022	2023	2024
Actual Energy Sales, KWh	115,112,751	123,155,616	131,220,115	139,260,721
Existing RFSC,P/KWh	0.4004	0.4004	0.4004	0.4004
Beginning RFSC Balance	(114,266,854.26)	(110,968,824.61)	(83,125,073.90)	(52,149,168.76)
CASH INFLOWS				
Current year RFSC Collection	44,708,411.20	47,832,163.52	50,964,317.94	54,087,192.78
50% Income on leased properties	711,468.34	711,468.34	711,468.34	711,468.34
Gov't Subsidy-Tisoy				
Loan proceeds from financial institution from pending CAPEX applications				
Total Cash Inflows	45,419,879.54	48,543,631.86	51,675,786.28	54,798,661.12
AVAILABLE CASH FOR DISBURSEMENT	(68,846,974.71)	(62,425,192.75)	(31,449,287.62)	2,649,492.36
CASH OUTFLOWS				
Proposed CAPEX requirement				
<i>Emergency CAPEX</i>	21,262,500.00			
Proposed CAPEX requirement from pending CAPEX application				
Typhoon Tisoy	763,097	763,097	763,097	763,097
Typhoon Usman	4,409,881	4,409,881	4,409,881	4,409,881
Typhoon Nona	15,526,904	15,526,904	15,526,904	15,526,904
Other Fees Relative to Capex Application				
Proposed ERC permit fees from this application				
<i>Emergency CAPEX</i>	159,468.75			
Proposed ERC permit fees from pending CAPEX application				
TOTAL CASH OUTFLOWS	42,121,849.89	20,699,881.14	20,699,881.14	20,699,881.14
CASH BALANCE ENDING, PHp. Excess/(Shortfall)	(110,968,824.61)	(83,125,073.90)	(52,149,168.76)	(18,050,388.79)
RATE IMPACT ON RFSC P/KWh	(0.9640)	(0.6750)	(0.3974)	(0.1296)

SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS

- Finally, in compliance with the documentary as well as pre-filing requirements under ERC Resolution 26, Series of 2009 and the ERC Rules of Practice and Procedure, respectively, NORSAMELCO is submitting herewith the following documents to form integral parts hereof, as follows, to wit:

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Annex Markings	Nature of Document
“A”	Write Up on the Emergency Capital Expenditure Project
“B” and series	Proof of furnishing copies of the Application to the Offices of the Mayor and Sangguniang Bayan of Bobon and the Governor and Sangguniang Panlalawigan of Northern Samar
“C” and series	Proof of publication of the Application in a newspaper of general circulation in the Philippines

PRAYER

WHEREFORE, premises considered, applicant Northern Samar Electric Cooperative, Inc. (NORSAMELCO) respectfully prays of this Honorable Commission that:

1. while the instant application is pending, the cooperative be permitted to implement the proposed Emergency Capital Expenditure Project, namely: Installation of Brand New 15 MVA Power Transformer including its primary and secondary protections at Bobolosan Substation; and
2. after due notice and hearing, the emergency capital expenditure project be approved accordingly.

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

The Commission hereby sets the instant *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 09, Series of 2020¹, dated 24 September 2020:

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

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Date	Platform	Activity
18 June 2021 (Friday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
25 June 2021 (Friday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Accordingly, NORSAMELCO is hereby directed to host the virtual hearing at **NORSAMELCO's principal office located at Brgy. Magsaysay, Bobon, Northern Samar**, 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, NORSAMELCO 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 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 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 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 26th day of April 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: KJP/LSP/MCCG



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