

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
CAPITAL PROJECTS FOR THE
YEARS 2018 TO 2020 AND
AUTHORITY TO SECURE
LOAN FROM NEA AND/OR
OTHER FINANCING/BANK
INSTITUTIONS**

ERC CASE NO. 2021-036 RC

**PAMPANGA RURAL
ELECTRIC SERVICE
COOPERATIVE, INC.
(PRESCO),**

Applicant.

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Promulgated:
June 11, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 20 May 2021, Pampanga Rural Electric Service Cooperative, Inc. (PRESCO) filed an *Application* dated 12 March 2021, seeking the Commission's approval of its proposed capital expenditure projects for the years 2018 to 2020 and authority to secure loan from the National Electrification Administration (NEA) and/or other financing institutions.

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

1. Applicant is an electric cooperative duly organized and existing under and by the virtue of the laws of the Republic of the Philippines, with principal office at Anao, Mexico, Pampanga;
2. It is the holder of an exclusive franchise issued by the National Electrification Administration (NEA), to operate an electric light and power distribution services in the portion of Municipalities of Arayat, Magalang, Mexico and Sta. Ana all in the Province of Pampanga;

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 2 OF 8

3. That pursuant to ERC Resolution No. 26 Series of 2009, and in accordance with Section 3.5 and other provision of Article III of the Amended Rules for the Approval of Regulated Entities Capital Expenditures Projects; and likewise in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of its Three-year Capital Expenditure projects for the years 2018 to 2020, due to the deteriorating condition of old equipment and to acquire various additional equipment to augment old ones, as follows:

A. Proposed Network Projects

NETWORK PROJECTS			PROJECT COST (Php)			
No.	Title	Type	2018	2019	2020	Total
1	Relocation of Primary Lines (DPWH Road Widening Projects)	Safety	-	781,742.36	-	781,742.36
2	Replacement of Rotten Wood Poles	Safety	-	-	889,600.00	889,600.00
3	Uprating of Substation	Capacity	-	36,800,000.00	-	36,800,000.00
4	Extension of Primary Lines	Capacity	578,320.63	898,060.89	-	1,476,381.52
5	Construction of Additional Feeder (Feeder 4)	Capacity	-	-	7,634,708.73	7,634,708.73
6	Procurement and Installation of Pole Mounted Distribution Transformers	Capacity	1,826,560.00	1,532,000.00	4,048,000.00	7,406,560.00
7	Replacement of Defective/Busted and Close to Overloading Distribution Transformers	Capacity	1,025,540.00	1,532,000.00	1,903,000.00	4,460,540.00
8	Procurement and Installation of kWhr Meters and Service Drop Wires	Capacity	4,266,710.00	3,663,040.00	3,964,002.00	11,893,752.00
9	Procurement of Distribution Poles for Buffer Stocks	Reliability	1,889,160.00	2,034,440.00	3,118,100.00	7,041,700.00
10	Procurement of Fault Locator Equipment	Reliability	-	576,000.00	-	576,000.00
11	Replacement of Defective Meters	System Loss	1,820,000.00	1,900,750.00	1,697,500.00	5,418,250.00
Sub Total			11,406,290.63	49,718,033.25	23,254,910.73	84,379,234.61

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 3 OF 8

B. Proposed Non-Network Projects

NON NETWORK PROJECTS			PROJECT COST (Php)			
No.	Title	Type	2018	2019	2020	Total
12	Procurement of Lineman's Personal Protective Equipment (PPE)	Safety	27,320.00	94,050.00	28,200.00	149,570.00
13	Procurement of Heavy Equipment	Safety	-	-	1,750,000.00	1,750,000.00
14	Procurement of Electrical Tools	Safety	45,000.00	85,218.00	717,000.00	847,218.00
15	Construction of Geographic Interface System Map of PRESCO's Distribution System	Service Efficiency	-	-	3,000,000.00	3,000,000.00
16	Procurement of Server	Service Efficiency	-	-	1,090,000.00	1,090,000.00
Sub Total			72,320.00	179,268.00	6,585,200.00	6,836,788.00
Description			2018	2019	2020	Total
Total CAPEX Projects			11,478,610.63	49,897,301.25	29,840,110.73	91,216,022.61

4. That in compliance with the guidelines and documentary requirements of this Hon. Commission, applicant herein hereby submits the following documents, as follows:

- Executive Summary
- Distribution Planning Process
- Forecasting
- Performance Assessment
- Summary of Identified Problems
- Goal Setting Prioritization
- Summary of Proposed Capital Expenditure Projects
- Financing
- Indicative Rate Impact of the Project
- Details of The Capital Projects
- Board Resolution approving the Proposed Projects
- Sworn Statement

PROJECT DESCRIPTION

5. The components of this Capital Expenditures Project is a continuation of the expansion, rehabilitation and upgrading of various facilities of the electric cooperative for sustainable growth and development in order to render a more reliable and efficient service to all its customers in all its area coverage.

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 4 OF 8

BENEFITS

6. It aims to further enhance the reliability programs geared towards the delivery of a more efficient and satisfying electric service to its member consumers.

FINANCING PLAN & RATE IMPACT

7. Funding for the acquisition and purchase of technical and non-technical capital expenditures will be taken from the ERC Case No. 2009-079 RC approved rate of Php0.2508/kwh Member's Contribution for Capital Expenditures or the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) based on the projected load growth (conservatively computed based on simulated normal growth rate) of the cooperative and availing loans from NEA and/or other financing/bank institutions. The indicative terms of loans from NEA will be 6% per annum for 10 years. The projects from year 2018 to 2019 are already implemented without availing loans except for the CP-03 project titled: "Uprating of Substation", in which, the funding source comes from loan from Philippine Bank of Communications (PBCOM). In year 2019, 5,520,000.00 Php was released for the mobilization of the project. Last year 2020, 26,801,712.94 Php was released. Aside from the CP-03, CP-12 project titled "Procurement of Heavy Equipment" was also loaned from PBCOM. Also, last year 2020, 1,750,000.00 Php was released for the procurement of the said equipment. Both loaned projects, CP-03 and CP-12 have an interest rate of 2.10% per annum, both loans are payable for 10 years.

A. ANNUAL COST

SOURCE OF FUNDS	TOTAL COST FINANCED	2018	2019	2020
RFSC	33,433,728.01	16,722,003.31	16,711,724.70	-
NEA	28,090,110.73	-	-	28,090,110.73
Financing/ Banking Institution	34,071,712.94	-	5,520,000.00	28,551,712.94
Grand Total	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67

B. ANNUAL AMORTIZATION/FINANCIAL REQUIREMENTS

SOURCE OF FUNDS	TOTAL COST FINANCED	2018	2019	2020	REMARKS
RFSC	33,433,728.01	16,722,003.31	16,711,724.70	-	
NEA	28,090,110.73	-	-	28,090,110.73	6% Interest Rate
Financing/ Banking Institution	34,071,712.94	-	5,520,000.00	28,551,712.94	2.1% Interest Rate
RFSC	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67	
CAPEX Approval Fee					
TOTAL	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67	

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 5 OF 8

C. REVENUE FROM ERC APPROVED MCC

SOURCE OF FUNDS	TOTAL	2018	2019	2020
Actual KWHR Sales	174,570,251.13	53,275,266.00	58,158,751.00	63,136,234.13
RFSC rate per KWHR as per ERC approved	0.2508	0.2508	0.2508	0.2508
Revenue from RFSC	43,610,492.25	13,273,510.35	14,502,414.38	15,834,567.52

D. CASH FLOW

	TOTAL	2018	2019	2020
Revenue from RFSC	43,610,492.25	13,273,510.35	14,502,414.38	15,834,567.52
CAPEX Plan (Internal Financing /RFSC)	33,433,728.01	16,722,003.31	16,711,724.70	-
CAPEX Plan Amortization	62,161,823.67	-	5,520,000.00	56,641,823.67
CAPEX Approval Fee				
Sub-total CAPEX Plan Cost	95,595,551.68	16,722,003.31	22,231,724.70	56,641,823.67
Previous Loan Amortization	4,119,872.00	1,564,800.00	2,555,072.00	-
Total CAPEX Cost	99,715,423.68	18,286,803.31	24,786,796.70	56,641,823.67
Net Cash Flow	6,056,892.24	(5,013,292.96)	(4,764,382.32)	15,834,567.52
ADD: Cash Balance Beg. PHP, Excess/(Shortfall)		9,916,887.13	4,903,594.17	139,211.85
Cash Balance Ending, PHP, Excess/(Shortfall)		4,903,594.17	139,211.85	15,973,779.37

E. RATE IMPACT ANALYSIS

	2018	2019	2020	2021	2022	2023	Total
Forecasted energy sales, kWh	53,275,266.00	58,158,751.00	63,136,234.13	68,010,462.50	72,884,690.88	77,758,919.25	393,224,323.76
Cash Balance beginning, Php, excess/(shortfall)	9,916,887.13	4,903,594.17	139,211.85	15,973,779.37	2,657,567.47	9,007,943.01	9,916,887.13
CASH INFLOWS							
current year collection @PhPO.2508/kWh	13,273,510.35	14,502,414.38	15,834,567.52	17,057,024.00	18,279,480.47	19,501,936.95	98,448,933.67
loan proceeds from financial institutions, Php		5,520,000.00	56,641,823.67	60,219,387.53	88,146,904.88	42,767,400.00	253,295,516.08
government subsidy (if any), Php							-
Total Cash Inflows, Php	13,273,510.35	20,022,414.38	72,476,391.19	77,276,411.53	106,426,385.35	62,269,336.95	351,744,449.75
Available cash for disbursement	23,190,397.48	24,926,008.55	72,615,603.04	93,250,190.90	109,083,952.82	71,277,279.96	361,661,336.88
CASH OUTFLOWS							
CAPEX requirement	16,722,003.31	22,231,724.70	56,641,823.67	86,223,309.93	88,146,904.88	42,767,400.00	312,733,166.49
old debt (old amortization)	1,564,800.00	2,555,072.00					4,119,872.00
new amortization (new CAPEX), Php				4,369,313.50	11,929,104.93	28,084,400.65	44,382,819.08
ERC Permit Fee, Php							-
Total Cash Outflows, Php	18,286,803.31	24,786,796.70	56,641,823.67	90,592,623.43	100,076,009.81	70,851,800.65	361,235,857.57
Cash balance ending, Php, excess/(shortfall)	4,903,594.17	139,211.85	15,973,779.37	2,657,567.47	9,007,943.01	425,479.31	425,479.31
Existing Reinvestment Fund	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508
Indicative - Additional Rate	0.00	0.00	0.00	0.00	0.00	0.00	-
Capex Plan Cost Cash Flow Rate per kWh	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508

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

8. Finally, in compliance with the pre-filing and other documentary requirements under the ERC Rules of Practice and as well as ERC Resolution 26, Series of 2009, PRESCO is submitting herewith the following documents which are being made integral parts hereof, to wit:

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 6 OF 8

Annex No.	Nature of Document
A	PRESCO Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents.
B	Proof of Furnishing copies of the application to the Offices of the Governor and Sanguniang Panlalawigan of Pampanga and Offices of the Mayor and Sanguniang Panlungsod or Bayan of Mexico
C	Publication of the Application in a newspaper of general circulation within PRESCO franchise area.
D	Affidavit of publication from the editor-in-chief or duly authorized representative of the publisher.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed to the Honorable Commission to render a decision approving the following:

Proposed Capital Project in the total amount of Php 91,216,022.61;

In view of the need to immediately implement the various projects which are necessary to replace the old equipment and to acquire new or additional materials and equipment.

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

The Commission has set 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 No. 09, Series of 2020,¹ dated 24 September 2020:

Date	Platform	Activity
17 August 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams Application	Determination of Compliance with the Jurisdictional Requirements and Expository Presentation
24 August 2021 (Tuesday) at nine o'clock in the morning (9:00 A.M.)		Pre-trial Conference and Presentation of Evidence

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

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, 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.

ERC CASE NO. 2021-036 RC
NOTICE OF VIRTUAL HEARING/ 01 JUNE 2021
PAGE 8 OF 8

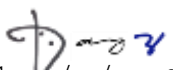
Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled 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.

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 June 2021 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


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