

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF EMERGENCY
CAPITAL EXPENDITURE
PROJECT FOR 2020,
NAMELY: PURCHASE AND
INSTALLATION OF BRAND
NEW 10 MVA POWER
TRANSFORMER FOR BA-
ANG SUBSTATION**

ERC CASE NO. 2021-030 RC

**MOUNTAIN PROVINCE
ELECTRIC COOPERATIVE,
INC. (MOPRECO),
Applicant.**

Promulgated:
June 24, 2021

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 26 April 2021, Mountain Province Electric Cooperative, Inc. (MOPRECO) filed an *Application* dated 22 September 2020 seeking the Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project for 2020 consisting of the Purchase and Installation of Brand New 10 MVA Power Transformer for Ba-Ang Substation located at Banao, Bauko, Mountain Province.

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

1. MOPRECO 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 Pospos, Upper Caluttit, Bontoc, Mountain Province;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in Mountain Province with ten (10)

municipalities, namely: Bauko, Barlig, Besao, Bontoc, Natonin, Paracelis, Sabangan, Sadanga, Sagada and Tadian.

LEGAL BASES FOR THE APPLICATION

3. 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 safe, quality, efficient and reliable delivery of electric service to its consumers, MOPRECO submits the instant Application for the Honorable Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project for 2020, namely: Purchase and Installation of Brand New 10 MVA Power Transformer for Ba-Ang Substation located at Banao, Bauko, Mountain Province.

STATEMENT OF FACTS

4. MOPRECO's Ba-Ang Substation has an existing 3-833 KVA power transformer with a total rated capacity of 2.5 MVA. Based on the historical demand profile and loading analysis conducted, Ba-Ang Substation with the existing 3-833 KVA power transformers, has been operating on a fully loaded capacity since 2017;
5. Ba-Ang Substation's transformers had already reached a maximum loading percentage of 72.32% in 2017 due mainly to the commercialization of the municipalities within the franchise area and the energization of sitios under the Sitio Electrification Program (SEP) projects;
6. Under ERC Resolution No. 26, Series of 2009, it is specifically provided that, "a substation is considered fully loaded if the loading of the transformers exceeds 70% of the maximum rated capacity". Thus, the existing transformers in Ba-Ang Substation have already been considered fully loaded as of 2017;
7. Based on the load demand forecast conducted for Ba-Ang Substation, its transformers will be overloaded by year 2025 as its loading capacity would reach about 104.75%;
8. Also, the loading capacity of the transformers in Ba-Ang Substation is already non-compliant with the standards set forth in the provisions of the Philippine Grid Code (PGC) and the Philippine Distribution Code (PDC);
9. Further, pursuant to the provisions of Republic Act No. 6969 (RA 6969) otherwise known as the "Toxic Substances and Hazardous and Nuclear Wastes Control Act of 1990" and DENR Administrative Order No. 2004-01 (DENR AO 2004-01) for "Chemical Control Order (CCO) for Polychlorinated Biphenyls (PCBs)", transformers manufactured in the years 1990 and below are considered PBC-contaminated;

10. Considering that the existing 3-833 KVA (2.5 MVA) power transformers in Ba-Ang Substation were manufactured way back in the year 1956, the same are considered as PCB contaminated under RA 6969 and DENR AO 2004-01 and should already be discarded;
11. From MOPRECO's technical analysis, it was determined that the purchase and installation of a brand new 10 MVA power transformer for Ba-Ang Substation is the most feasible solution to the address the problem.

PROJECT DESCRIPTION

12. The project subject of the instant Application involves the following activities, to wit:
 - a. Installation of new 10-MVA power transformer beside the existing 3-833 KVA (2.5 MVA) transformers at Ba-ang Substation; and
 - b. Installation of Disconnect switch, SF6, auto recloser, new gantry and power house.

PROJECT JUSTIFICATION

13. The proposed project is being offered primarily to meet the unprecedented increasing demand in MOPRECO's franchise area due to the commercialization of the municipalities and energization of sitios under the Sitio Electrification Program (SEP) projects. It shall address the load capacity problem of the existing 2.5 MVA Ba-Ang Substation and provide for an additional capacity to absorb the incoming demands, ensure continuous, safe and reliable operation and supply of electricity;
14. In addition, the protected devices will be replaced in compliance with the provisions of Philippine Grid Code (PGC) and Philippine Distribution Code (PDC);
15. Without the implementation of this project, it is expected that the substation would experience technical breakdown because of overloading. As a result, MOPRECO's franchise area served by the Ba-Ang substation would suffer series of power outages and interruptions, or worst, total black-out;
16. The installation of brand new 10-MVA power transformer would address the load capacity problem of the existing 2.5 MVA Ba-Ang Substation. Likewise, the substation would be able to cope with the increasing energy demand in the franchise area due to commercialization and energization of sitios under the SEP projects.

PROJECT SCHEDULE

17. The project will be started in October 2020 and is estimated to be completed in June 2021.

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PROJECT COST

18. The estimated cost of the purchase and installation of brand new 10-MVA Power Transformer for Ba-Ang Substation is Thirty-Two Million Seven Hundred Fifty-Two Thousand Forty Pesos (PhP32,752,040.00). The amount was based on the updated 2018 NEA Price Index for the cost of each and every item.

FINANCING PLAN

19. The total cost of the project will be financed through a loan from the Rural Electrification Financing Corp. (REFC), at an interest rate of 4.3% per annum with quarterly repricing payable monthly for fifteen (15) years. Loan amortizations will be paid out of the cooperative's collections of Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

RATE IMPACT

20. The implementation of the proposed project will not entail any rate adjustment as shown in the Rate Impact Analysis, to wit:

| | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | Total |
|---|------------|------------|------------|------------|------------|------------|-------------|
| Forecasted Energy Sales, kWh | 22,545,982 | 23,658,110 | 24,817,357 | 26,033,408 | 27,309,045 | 28,106,622 | 152,470,524 |
| Cash balance beginning, PhP | 3,309,213 | 12,287,578 | 18,364,536 | 17,157,649 | 14,066,068 | 12,237,420 | 77,422,808 |
| CASH INFLOWS | | | | | | | |
| Current year collection @Po.5324/kWh | 12,003,481 | 12,595,578 | 13,212,761 | 13,860,186 | 14,539,335 | 14,963,966 | 81,175,307 |
| Loan proceeds from financial institutions, Emergency CAPEX | 32,752,040 | | | | | | 32,752,040 |
| Loan proceeds from financial institutions, Reg. Multi-Year CAPEX | 31,557,968 | 25,033,696 | 21,047,322 | 17,746,728 | 0 | 0 | 95,385,714 |
| 50% of income on leased properties | 114,886 | 126,375 | 139,012 | 152,913 | 168,205 | 185,025 | 886,416 |
| Total Cash Inflows | 79,737,588 | 50,097,903 | 52,818,018 | 49,857,112 | 30,598,519 | 30,096,596 | 293,205,735 |
| Available cash for disbursement | | | | | | | |
| CASH OUTFLOWS | | | | | | | |
| CAPEX Requirement, Emergency CAPEX | 32,752,040 | | | | | | 32,752,040 |
| CAPEX Req't, Regular Multi-Year CAPEX | 31,557,968 | 25,033,696 | 21,047,322 | 17,746,728 | 0 | 0 | 95,385,714 |
| Old Debt (old amortization) | 2,603,000 | 2,603,000 | 2,603,000 | 2,603,000 | | | 10,412,000 |

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| | | | | | | | |
|--|------------|------------|------------|------------|------------|------------|-------------|
| New Amortization, Emergency CAPEX, | | 0 | 4,000,377 | 4,000,377 | 4,000,377 | 4,000,377 | 16,001,508 |
| New Amortization, Reg. Multi-Year CAPEX | | 3,854,532 | 6,912,180 | 9,482,927 | 11,650,536 | 11,650,536 | 43,550,711 |
| ERC Permit Fee, Emergency CAPEX | 245,640 | 0 | 0 | 0 | 0 | 0 | 245,640 |
| ERC Permit Fee, Reg. Multi-Year CAPEX | 236,685 | 187,753 | 157,855 | 133,100 | 0 | 0 | 715,393 |
| Total Cash Outflows | 67,395,333 | 31,678,980 | 34,720,734 | 33,966,133 | 15,650,913 | 15,650,913 | 199,063,077 |
| Cash Balance ending, PhP, excess(shortfall) | 12,342,255 | 18,418,923 | 18,097,284 | 15,890,979 | 14,947,605 | 14,445,683 | 94,142,728 |
| Excess (Shortfall) on RFSC, PhP/kWh | -0.0150 | -0.2461 | -0.1968 | -0.0780 | -0.0149 | 0.0184 | -0.0888 |

SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS

21. 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, the following documents are being submitted herewith to from integral parts hereof, as follows, to wit:

| Annex Markings | Description of Document |
|----------------|---|
| “A” | Executive Summary of the Emergency CAPEX Project |
| “B” and series | Proof of furnishing of copies of the Application to the Sangguniang Bayan of Bontoc and Sangguniang Panlalawigan of Mountain Province |
| “C” and series | Proof of publication of the Application in a newspaper of general circulation in MOPRECO’s franchise area or where it principally operates. |

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, MOPRECO’s Emergency Capital Expenditure Project for 2020 consisting of the Purchase and Installation of Brand New10 MVA Power Transformer for Ba-Ang Substation be confirmed and approved accordingly.

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

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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 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

| Date | Platform | Activity |
|--|------------------------|---|
| 13 July 2021 (Tuesday) at nine o'clock in the morning (9:00 AM) | Microsoft Teams | Determination of compliance with the jurisdictional requirements and expository presentation |
| 20 July 2021 (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, any 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;

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission, promulgated on 17 November 2020.

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

- 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.

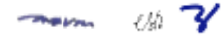
Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access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

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WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 11th day of June 2021 in Pasig City.



AGNES VST DEVANADERA
Chairperson and CEO



LS: MBVM/CLB/MCCG

ERC

Office of the Chairperson



AVSTD-2021-06-510-0080