

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND OF APPROVAL OF FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT, RE: REPAIR, RESTORATION, REPLACEMENT OF DISTRIBUTION LINES, TRANSFORMERS, METERING EQUIPMENT/FACILITIES AND POLES INFRASTRUCTURE DAMAGED BY SUPER TYPHOON ROLLY, WITH APPLICATION FOR AUTHORITY TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND OTHER BANKING/ FINANCING INSTITUTION(S) AND PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2021-071 RC

**FIRST CATANDUANES
ELECTRIC COOPERATIVE,
INC. (FICELCO),**

Applicant.

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Promulgated:
September 20, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 01 September 2021, First Catanduanes Electric Cooperative, Inc. (FICELCO) filed an *Application* dated 12 August 2021, for confirmation and of approval of force majeure event capital expenditure project, for the repair, restoration, replacement of distribution lines, transformers, metering

equipment/facilities and poles infrastructure damaged by Super Typhoon Rolly, with application for authority to secure loan from the National Electrification Administration (NEA) and other banking/financing institution(s) and prayer for provisional authority.

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

1. That applicant (FICELCO) is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Marinawa, Bato, Catanduanes, where it may be served with summons and other legal process in its instance by its General Manager, RAUL V. ZAFE, of legal age, Filipino, married and with office address also located at Marinawa, Bato, Catanduanes;
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 11 municipalities, namely the Municipalities of Virac, San Andres, Caramoran, Pandan, Bato, San Miguel, Baras, Viga, Gigmoto, Panganiban, and Bagamanoc all in the Province of Catanduanes;

LEGAL BASIS FOR THE APPLICATION

3. The filing of this application is authorized under Board Resolution No. 05 and 06, Series of 2021 pursuant to Section 3.3 of ERC Resolution No. 26 Series of 2009, which provides that if a Force Majeure or Fortuitous Event.
4. That on the other hand, the accompanying application for authority to secure loan from National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which provides that it shall be unlawful for any public service to issue any bonds or other evidence of indebtedness payable in more than one year from issuance thereof, without the approval and authorization of the Commission.

THE FORCE MAJEURE EVENT (SUPER TYPHOON "ROLLY")

5. According to PAGASA in its Severe Weather Bulletin # 1 issued at 11 :00 PM, 29 October 2020, Typhoon "Rolly" (Goni) entered the Philippine Area of Responsibility (PAR) and rapidly intensified into a typhoon. On 1 November 2020 at 4:50 AM, Super Typhoon "Rolly" made a landfall in the vicinity of Bato, Catanduanes with maximum sustained winds of 225km/h near the center and gustiness of up to 280 km/h based on PAGASA's Severe Weather Bulletin #13. Catanduanes was placed under Tropical Cyclone Wind Signal (TCWS) Number 5.

6. The powerful winds and heavy rains of Super Typhoon "Rolly" caused massive destruction to distribution lines and facilities resulting to total loss of power in FICELCO's coverage area. The most severe damaged was recorded in the municipality of Virac, Bato, San Miguel, Baras, Gigmoto and San Andres
7. That the instant Force Majeure CAPEX 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 Commission's confirmation of the implementation of capital expenditure projects arising from such event.

DESCRIPTION OF THE PROJECT

8. The project consists of the repair, restoration and replacement of the FICELCO's distribution lines, metering facilities, distribution transformer, poles, hardware and accessories and other line equipment necessary to restore and immediately provide power in the whole province of Catanduanes.

ESTIMATED PROJECT COST

9. The initial cost for funding requirement for the repair, restoration, replacement and/or rehabilitation of the damaged properties was estimated Two Hundred Twenty-Six Million, Nine Hundred Thirty-Nine Thousand Five Hundred Pesos (PhP226,939,500.00) and filed as calamity loan with NEA through Board Resolution No. 153, Series of 2020. Upon thorough evaluation of FICELCO, the actual incurred project cost as of June 30, 2021 amounted to One Hundred Ninety-Three Million Eight Hundred Sixty-Four Thousand Two Hundred Twenty Pesos and 20/100 (PhP193,864,200.20) only.

No.	Particulars	Amount
1	Material Cost	163,652,420.05
2	Labor Cost	11,367,467.78
3	Other Overhead Expenses	18,844,312.37
Total:		193,864,200.20

PROJECT SCHEDULE

10. At around 11 :00 AM of November 1, 2020, immediately after the storm subsided, FICELCO's workforce conducted clearing operation and damaged assessment to the distribution line facilities destroyed by Super Typhoon Rolly. On the next day, November 2, 2021, at 5:00 AM, FICELCO started the restoration activities to speedily restore back the power. Considering the extent of damage left by Super Typhoon Rolly and the shortage of manpower, FICELCO seek the assistance of Task Force Kapatid thru NEA and Philippine Rural Electric Cooperatives Association (PHILRECA) to fast track restoration activities. Working before sun rise until nightfall, FICELCO was

able to completely energized all its distribution lines in our franchise area on June 23, 2021.

JUSTIFICATION ON BENEFITS TO BE DELIVERED

11. This project is intended to restore the severely damaged distribution lines by Super Typhoon "Rolly" including its safety and protection of the cooperative's entire distribution system. The purpose is to provide safe, adequate, affordable and reliable/efficient power supply to 56,637 affected consumers.

PROJECT FINANCING PLAN

12. The total cost of restoration and rehabilitation of FICELCO's damaged distribution lines and properties shall be sourced through a calamity loan from the National Electrification Administration (NEA). Also, the coop intends to borrow funds from other banking/financing institution to finance the incurred project cost for the repair, restoration and replacement of FICELCO's damaged distribution lines, metering facilities, distribution transformer, poles, hardware and accessories and other line equipment.
13. An initial amount of Twenty-Four Million One Hundred Sixty-One Thousand (Php 24,161,000.00) was released by NEA. This initial calamity loan and future calamity loan releases applied from NEA will be converted to subsidy in the event that the National Government grants subsidy to the Bicol typhoon-ravaged electric cooperatives, and, as requested by FICELCO through its Board Resolution No. 170, Series of 2020, dated November 20, 2020, that the same calamity fund be converted by NEA into subsidy/grant. As of this date, no calamity loan was converted to subsidy or grant and no additional releases of calamity loan from NEA and other banking/financing institution.

INDICATIVE RATE IMPACT

14. The RFSC is intended to finance the approved capital expenditure projects. Shown below is the rate simulation impact for the force majeure event capital expenditure project.

	2021	2022	2023	2024
Energy Sales Forecast, kWh	62,732,931.30	63,075,683.00	65,928,117.00	68,713,662.00
Approved RFSC Rate, Php/kWh	0.5447	0.5447	0.5447	0.5447
Cash Balance Beginning, Php (Excess/Shortfall)	7,230,946.82	(140,017,356.64)	(116,315,343.75)	(91,115,011.81)
CASH IN FLOWS				
Current Year RFSC Collection, in Php, @ 97% Collection Efficiency	33,145,508.85	33,326,604.79	34,833,713.97	36,305,481.74
50% Income on Leased Properties, in Php	-	-	-	-
Government Subsidy, in Php			-	-
Loan Proceeds from Financial Institutions (NEA), in Php	24,161,000.00		-	-
Total Cash Inflows, in Php	57,306,508.85	33,326,604.79	34,833,713.97	36,305,481.74

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Available Cash for Disbursement, in Php	64,537,455.67	(106,690,751.85)	(81,481,629.78)	(54,809,530.07)
CASH OUTFLOWS				
Applied Force Majeure CAPEX Requirement, in Php	193,864,200.20		-	-
Applied Force Majeure CAPEX Amortization, in Php	2,540,140.65	3,386,854.20	3,386,854.20	3,386,854.20
Amortization of Previous Approved CAPEX (2011-2015), in Php	6,596,489.96	6,237,737.70	6,246,527.83	
2% Engineering and Administrative Overhead (EAO) for Calamity Grant /Subsidy	100,000.00	-	-	-
Other Fees Relative to CAPEX Application, in Php		-	-	-
ERC Permit Fees, in Php	1,453,981.50	-	-	-
Total Cash Outflows, in Php	204,554,812.31	9,624,591.90	9,633,382.03	3,386,854.20
Cash Balance Ending, in Php, Excess/(Shortfall)	(140,017,356.64)	(116,315,343.75)	(91, 115,011.81)	(58,196,384.27)
Rate Impact on RFSC, Php/kWh, Excess/(Shortfall)	(2.2320)	(1.8441)	(1.3820)	(0.8469)

15. FICELCO is currently paying the annual amortization of Six Million Five Hundred Ninety-Six Thousand Four Hundred Eighty-Nine and 96/100 (Php 6,596,489.96) loan from Security Bank for the approved CAPEX of 2011-2015 with a maximum of 10 years term and will mature on 2023.

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

16. In support of this application, the applicant has likewise submitted the following documents, as follows:

Annex A - Project Cost
Annex B - Technical Write-Up for the Majeure Event
Annex C - Notice to ERC, Re: Force Majeure Event
Annex D - Board Resolution No. 05, Series of 2021
Annex D-1 - Board Resolution No. 06, Series of 2021
Annex E - Board Resolution No. 153, Series of 2020
Annex F - Board Resolution No. 170, Series of 2020
Annex G - RFSC Beginning Balance for December 2020
Annex H - FICELCO Calamity Loan Amortization to NEA
Annex I - Existing CAPEX (2010 to 2015) Loan Amortization to Security Bank

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that after due proceedings, a decision be rendered:

1. Approving the Proposed Force Majeure Capital Project in the total amount of One Hundred Ninety-Three Million, Eight Hundred Sixty-Four Thousand Two Hundred Pesos and 20/100 (Php193,864,200.20), in view of the need to immediately implement the project which are necessary to repair, restore and replace FICELCO's distribution lines, metering facilities, distribution transformer, poles, hardware and accessories and other line equipment damaged by Super Typhoon Rolly.

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2. Approving the Authority to borrow funds from NEA and other bank/financial institutions to fund the capital expenditures in the amount of One Hundred Ninety-Three Million, Eight Hundred Sixty-Four Thousand Two Hundred Pesos and 20/100 (PhP193,864,200.20); and, pending the proceedings in the instant application, a provisional authority for the purpose be granted.
3. Other reliefs just and equitable under the premises are likewise prayed for.

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 2020,¹ 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
28 October 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams Application	Determination of compliance with jurisdictional requirements and Expository Presentation
04 November 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.)		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 person who has 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

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.

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 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.

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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 9th day of September 2021 in Pasig City.



AGNES YST DEVANADERA
Chairperson and CEO

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LS: KPA/ARG/MCCG

