

Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City




**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF
EMERGENCY CAPITAL
EXPENDITURE PROJECT
FOR 2015, RE:
REPLACEMENT OF
DAMAGED POWER
TRANSFORMER AT THE
BATAAC STATION**

ERC CASE NO. 2016-138 RC

**ILOCOS NORTE ELECTRIC
COOPERATIVE, INC.
(INEC),**

Applicant.

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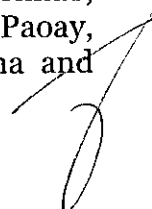
DOCKETED
Date: NOV 14 2016
By: 

ORDER

On 09 June 2016, the Ilocos Norte Electric Cooperative, Inc. (INEC) filed an application for the approval and confirmation of its emergency capital expenditure (CAPEX) project for 2015, relative to the damaged power transformer at the Bataac Station.

In the said application, INEC alleged the following:

1. INEC 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. Suyo, Dingras, Ilocos Norte.
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the municipalities of Adams, Bacarra, Badoc, Bangui, Banna, Burgos, Carasi, Currimao, Dingras, Dumalneg, Marcos, Nueva Era, Pagudpud, Paoay, Pasuquin, Piddig, Pinili, San Nicolas, Sarrat, Solsona and



Vintar and the cities of Laoag and Batac, all in the Province of Ilocos Norte.

LEGAL BASIS FOR THE APPLICATION

3. This application is being filed pursuant to Article III (3.4) of ERC Resolution No. 26 Series of 2009 as well as other pertinent laws and rules.

CAUSE OF ACTION

4. INEC has a pending application with the Honorable Commission for the approval of its Capital Expenditure Program for 2015-2017 under ERC Case No. 2014-079 RC.
5. Among the proposed projects in said application is the Repair/Rehabilitation of the 10 MVA Batac Substation with Project Code No. SUB-001, which involves the immediate repair/rehabilitation of its 10MVA power transformer, at estimated cost of PhP6,000,000.00 and schedule of implementation in 2015.
6. Incidentally, on May 3, 2015, the alarm device of the Batac Substation was triggered by high oil and winding temperature which reached 75 degrees Celsius during day time at a load of 6.5 MVA.
7. The First Philec, Inc., manufacturer of the busted transformer, gathered oil sample on the subject power transformer, and its analysis showed that based on furan levels, paper condition is severely reduced and performing oil degassing is risky considering that the estimated DP is already below 350ppm. First Philec, Inc. recommended to replace transformer based on the estimated DP value. Copy of its Furan Analysis Report dated June 8, 2015 is attached hereto and made integral part hereof as **Annex "A"**.
8. First Philec, Inc. likewise prepared a Transformer Oil Laboratory Test Report. Based on the analysis the possible cause of high value of hydrogen (H₂) content was the stray gassing of the oil and partial discharge in the transformer. First Philec, Inc. recommended to conduct retest six (6) months after oil sampling date to establish trends and confirm condition. Copy of the Transformer Oil Laboratory Test Report dated June 8, 2015, is attached hereto and made integral part hereof as **Annex "B"**.
9. Unfortunately, on the night of June 16, 2015, the substation power transformer got busted. Incident Report on the matter dated June 17, 2015 is attached hereto and made integral part hereof as **Annex "C"**.
10. Restoration was immediately undertaken on the areas affected. Two (2) adjacent substations with combined



capacity of 25MVA (1-15 MVA and 2-5 MVA) were extended to cover the affected areas. However, problems on power quality and reliability occurred, which could not be possibly addressed.

11. The only solution to the problems is the replacement of the busted power transformer with a brand new unit.
12. Considering the urgency to immediately restore a reliable and efficient power supply in the affected areas, there is an urgent need to purchase the new power transformer to replace the busted unit.
13. Accordingly, INEC undertook the publication of an Invitation to Bid for the Supply, Installation and Commissioning of a 10 MVA power transformer for the Batac Substation.
14. INEC duly informed and manifested to the Honorable Commission about the foregoing problems by filing an "Urgent Motion to Withdraw the Proposed Batac Substation Repair/Rehabilitation Project" in ERC Case No. 2014-079 RC. Copy of the motion is attached hereto and made integral part hereof as **Annex "D"**.
15. The contract for the supply, installation and commissioning of a 10 MVA power transformer for the Batac Substation was eventually awarded to PPI Pazific Power, Inc. Copy of the Contract for the Procurement of Supply, Delivery, Installation and Commissioning of a 10MVA 69/13.2kV Power Transformer at Quiling Sur, Batac Substation is attached hereto and made integral part hereof as **Annex "E"**.

PROJECT DESCRIPTION, JUSTIFICATIONS and COST

16. The cost of the project is Sixteen Million Three Hundred Fourteen Thousand Nine Hundred Sixty Four Pesos (PhP16,314,964.00) and a detailed description, justification and cost of said project is provided in the Executive Summary, attached hereto and made integral part hereof as **Annex "F"**.

PROJECT SCHEDULE

17. Considering the urgent necessity to restore a safe, reliable and efficient power in the affected areas, the replacement of the busted power transformer was immediately undertaken. Accordingly, the new power transformer was delivered to the site on December 4, 2015 and installation was started on December 9, 2015. Energization of the Batac Substation is being targeted on January 18, 2016.



PROJECT FINANCING

18. The total cost of the project was funded from the Reinvestment Fund for Sustainable Capital Expenditure (RFSC) of INEC.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

19. Finally, in compliance with the pre-filing requirements for the instant application, INEC is submitting herewith the following documents which shall form integral parts hereof, as follows:

	Nature of Document
Annexes "G" and "G-1"	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Dingras and Sangguniang Panlalawigan of Ilocos Norte
Annexes "H" and series	Publication of the Application in a newspaper of general circulation within INEC's franchise area or where it principally operates, with Affidavit of Publication

20. INEC prays that the Commission, after due notice and hearing, confirm and approve the installation of a new Power transformer at its Batac Substation in replacement for the damaged unit, and funding of the project with the cooperative's Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

Finding the said application sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and evidentiary hearing on **26 January 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at Brgy. Suyo, Dingras, Ilocos Norte.**

INEC is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant

application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

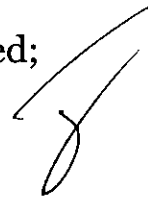
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor and the Local Government Unit (LGU) legislative body of the Province of Ilocos Norte, as well as the Mayors and the LGU legislative bodies of the cities/municipalities within the franchise area of INEC, for the appropriate posting thereof on their respective bulletin boards.

INEC is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, INEC must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor, Mayors, and LGU Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

INEC and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;



- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

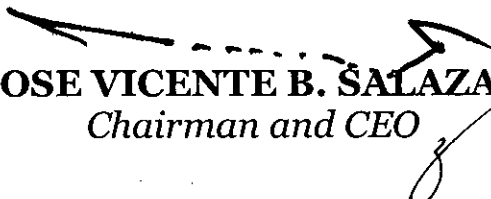
Failure of INEC to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, INEC must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 07 November 2016.

FOR AND BY AUTHORITY OF
THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

ERC
Office of the Chairman

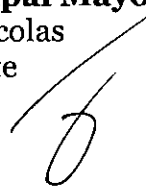

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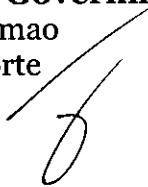
1. **Atty. Nelson V. Evangelista**
Dechavez & Evangelista Law Offices
Counsel for INEC
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Pearl Drive, Ortigas Center, Pasig City
2. **Engr. Felino Herbert P. Agdigos**
General Manager
Ilocos Norte Electric Cooperative, Inc.
Brgy. Suyo, Dingras, Ilocos Norte 2913
3. **The Office of the Solicitor General**
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
4. **The Commission on Audit**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
5. **The Committee on Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. **The Committee on Energy**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
8. **Office of the Municipal Mayor**
Municipality of Adams
Province of Ilocos Norte
9. **Office of the Municipal Mayor**
Municipality of Bacarra
Province of Ilocos Norte
10. **Office of the Municipal Mayor**
Municipality of Badoc
Province of Ilocos Norte
11. **Office of the Municipal Mayor**
Municipality of Bangui
Province of Ilocos Norte
12. **Office of the Municipal Mayor**
Municipality of Banna
Province of Ilocos Norte



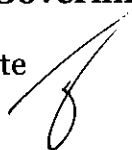
13. **Office of the Municipal Mayor**
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14. **Office of the Municipal Mayor**
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15. **Office of the Municipal Mayor**
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Province of Ilocos Norte
16. **Office of the Municipal Mayor**
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17. **Office of the Municipal Mayor**
Municipality of Dumalneg
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18. **Office of the Municipal Mayor**
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Province of Ilocos Norte
19. **Office of the Municipal Mayor**
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24. **Office of the Municipal Mayor**
Municipality of Pinili
Province of Ilocos Norte
25. **Office of the Municipal Mayor**
Municipality of San Nicolas
Province of Ilocos Norte



26. **Office of the Municipal Mayor**
Municipality of Sarrat
Province of Ilocos Norte
27. **Office of the Municipal Mayor**
Municipality of Solsona
Province of Ilocos Norte
28. **Office of the Municipal Mayor**
Municipality of Vintar
Province of Ilocos Norte
29. **Office of the City Mayor**
City of Laoag
Province of Ilocos Norte
30. **Office of the City Mayor**
City of Batac
Province of Ilocos Norte
31. **Office of the Local Government Legislative Body**
Municipality of Adams
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52. **Office of the Local Government Legislative Body**
City of Laoag
Province of Ilocos Norte
53. **Office of the Local Government Legislative Body**
City of Batac
Province of Ilocos Norte
54. **Office of the Governor**
Province of Ilocos Norte
55. **Office of the Local Government Legislative Body**
Province of Ilocos Norte
56. **Standards, Compliance and Monitoring Division**
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City

