

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
ELECTRIC CAPITAL
EXPENDITURE PROJECTS
FOR THE YEAR 2019 TO
2021 AND AUTHORITY TO
SECURE LOAN FROM NEA,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-024 RC

**AURORA ELECTRIC
COOPERATIVE, INC.
(AURELCO),
Applicant.**

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D O C K E T E D
Date: JUL 05 2018
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 26 April 2018, Aurora Electric Cooperative, Inc. (AURELCO) filed an *Application* dated 05 June 2018, seeking the approval of the proposed electric capital expenditure projects for the year 2019 to 2021 and authority to secure loan from NEA, with prayer for provisional authority.

AURELCO alleged the following in its *Application*:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Brgy. Reserva, Baler, Aurora where it may be served with summons and other legal processes, represented in this instance by its General Manager, **Noel DV. Vedad** of legal age, Filipino, married and with office address also at Brgy. Reserva, Baler, Aurora ;
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 (8) municipalities of the province of Aurora, namely the municipality of Baler, San Luis,

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province of Aurora, namely the municipality of Baler, San Luis, Ma. Aurora, Dipaculao, Casiguran, Dinalungan, Dilasag and Dingalan. Also serving the municipality of Dinapigue in the province of Isabela, Alfonso Castañeda in the province of Nueva Vizcaya and Brgy. Umiray, General Nakar, Quezon province;

3. That the applicant AURELCO consumer profile showed that of the total 47,609 consumers; 43,621 are residential, 3,984 Low Voltage and 4 Higher Voltage customers;
4. That the applicant AURELCO's energy demand reached approximately 45,161,612 kWhr at the end of 2017 and forecast estimates indicate that the applicant will have an average energy demand growth rate of 8.94% from 2018-2021. It is expected that the energy demand will reach as high as 72,062,989 kWhr at the year 2021;
5. That AURELCO gets the bulk of power for distribution to its coverage area through the transmission system facilities operated and maintained by the National Grid Corporation of the Philippines (NGCP) which derived its power from Masinloc Power Partners Company, Ltd (MPPCL);
6. That applicant has identified ten (10) projects, classified according to the projects that intends to address load growth, projects that intends to reduce system losses, projects than intends to improve system reliability, efficiency and power quality and more importantly for safety. The following are the proposed projects for implementation upon economic and financial feasibility:

**SUMMARY OF THE PROPOSED CAPITAL PROJECTS
(2019-2021)**

No	Project Name	Project Type	Proposed Project Cost (Php)			Total(Php)
			2019	2020	2021	
Primary Distribution Development Projects						
01	Replacement of Rotten Poles and Crossarms	Safety	3,040,700.00	2,274,000.00	2,329,000.00	7,643,700.00
02	Replacement of overloaded/busted Distribution transformers/ transformer load management	Capacity	4,013,000.00	5,499,400.00	5,656,200.00	15,168,600.00
03	Replacement of Deteriorated line hardwares materials and conductor	Reliability	5,672,059.95	5,672,059.95	5,672,059.95	17,016,179.85
04	Meter clustering	System Loss	11,365,955.96	11,207,455.96	11,048,955.96	33,622,367.88
05	Buffer stock	Reliability	16,294,175.00	16,294,175.00	16,294,175.00	48,882,525.00
Other Network Development Projects						

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06	New kWhourmeters and Service drop wires for service dropping(New Customers)	Load Growth	5,625,728.00	5,515,192.00	5,393,872.00	16,534,792.00
07	New kWhourmeter for Change meter	System Loss	2,945,000.00	2,945,000.00	2,945,000.00	8,835,000.00
Non-Network Development Projects						
08	Lineman tools/safety gadgets	Safety	1,600,800.00	1,227,600.00	1,255,900.00	4,084,300.00
09	Construction of Multi-purpose Building in Main Office	Land Right & Building Structure	15,000,000.00			15,000,000.00
10	Logistics	Reliability and Efficiency	19,180,000.00	18,280,000.00	8,880,000.00	46,340,000.00
	TOTAL		84,737,418.91	68,914,882.91	59,475,162.91	213,127,464.73

7. That as a result of the said project, the cooperative has calculated the indicative rate impact as follows:

Indicative Rate Impact of the Project					
	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	49,681,805	54,190,146	58,715,512	63,253,260	225,840,723.00
Cash balance beginning, PhP, excess/(shortfall)	28,279,117.00	995,887.16	(74,175,925.70)	(143,155,571.68)	28,279,117.00
CASH INFLOWS					
current year collection @PhPo.5324/kWh	26,450,592.98	28,850,833.73	31,260,138.59	33,676,035.62	120,237,600.93
loan proceeds from financial institutions, PhP	470,864,524.33	61,840,130.96	45,781,630.96	36,223,130.96	614,709,417.21
government subsidy (if any), PhP					
50% of income on leased properties	166,230.00	166,230.00	166,230.00	166,230.00	664,920.00
Total Cash Inflows, PhP	497,481,347.31	90,857,194.69	77,207,999.55	70,065,396.58	735,611,938.14
Available cash for disbursement	525,760,464.31	91,853,081.85	3,032,073.85	(73,090,175.10)	763,891,055.14
CASH OUTFLOWS					
CAPEX requirement	483,920,797.17	84,737,418.91	68,914,882.91	59,475,162.91	697,048,261.90
old debt (old amortization)	15,957,800.00	15,408,142.00	13,212,017.00	7,720,808.00	52,298,767.00
new amortization (new CAPEX), PhP(2014-2018)	21,256,574.00	58,690,948.00	58,690,948.00	58,690,948.00	197,329,418.00
new amortization (new					15,249,620.00

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CAPEX), PhP(2019-2021)		6,556,968.00	4,852,936.00	3,839,716.00	
ERC Permit Fee, PhP	3,629,405.98	635,530.64	516,861.62	446,063.72	5,227,861.97
Total Cash Outflows, PhP	524,764,577.15	166,029,007.55	146,187,645.53	130,172,698.63	967,153,928.87
Cash balance ending, PhP, excess/(shortfall)	995,887.16	(74,175,925.70)	(143,155,571.68)	(203,262,873.73)	(203,262,873.73)
Excess/(shortfall) on RFSC, PhP/kWh	0.0200	(1.3688)	(2.4381)	(3.2135)	(0.9000)
reinvestment fund rate	0.5324				
lease properties annual income	332,460				

8. That as part of its Distribution Development Plan, applicant AURELCO intends to apply for approval of the above mentioned Capital Expenditure Projects for 2019-2021;
9. That the above project will be implemented on a staggered basis starting 2019 to 2021 and financing of the said projects will be taken from NEA loan and the Applicant's Reinvestment Fund;
10. That the Applicant will request to secure a Php. 143,844,892.88 loan from National Electrification Administration (NEA);
11. That the proposed projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC) and other relevant government issuances, and in accordance with ERC Resolution on capital projects;
12. For purposes of and in connection with this application, AURELCO hereby submit the following documents in compliance with the requirements pertinent hereto:
 - a. Description of the Project; Justification and Impact study on the System and; Option/Alternatives considered in lieu of the proposed project;
 - b. Project Financing Plan
 - c. Five-Year Historical and Forecast planning Data
 - d. Technical Analysis
 - e. Project Financial and Economic Cost Analysis
 - f. Project Cost Estimates
 - g. Project Duration
 - h. Single Line Diagram
 - i. Conceptual Engineering Design and Drawings
 - j. Board Resolution approving the proposed projects
 - k. Sworn Statement
 - l. Compliance with the pre-filing requirements:
 - i. Certification from the Presiding Officer or Secretary of the Sangguniang Bayan of Baler, Aurora and of the Sangguniang Panlalawigan of Aurora and, or their duly authorized representatives attesting to the fact that applicant has furnished the respective legislative body of

the local government unit and the Sangguniang Panlalawigan: and

- ii. Affidavit of Publication and Newspaper issue containing the published Application in its entirety in a newspaper of general circulation in AURELCO's franchise area.
13. That the approval of the proposed capital expenditure projects is needed to maintain efficient, reliable, and safety delivery of power to AURELCO's existing and future consumers, and will redound to the benefit of the consuming public.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that pending hearing, the herein submitted application for approval of proposed electric capital expenditure projects and authority to secure loan from the National Electrification Administration be provisionally approved ex parte; and the applicant be authorized to adopt and implement the same effective upon such approval and after due to notice and hearing and consideration, the application be approved permanently.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and evidentiary hearing on **08 August 2018 (Wednesday) at two o'clock in the afternoon (02:00 PM), at the AURELCO's Principal Office in Brgy. Reserva, Baler, Aurora.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and 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.

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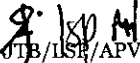
All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rest its case, subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 3rd day of July 2018 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: JTB/LSF/APV