

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF TWO (2)
EMERGENCY CAPITAL
EXPENDITURE PROJECTS,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)**

ERC CASE NO. 2018-058 RC

**ISABELA II ELECTRIC
COOPERATIVE, INC. (ISELCO
II),**

Applicant.

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D O C K E T E D
Date: JUL 27 2018
By: W

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 20 June 2018, an *Application* dated 2 May 2018 was filed by Applicant Isabela II Electric Cooperative, Inc. (ISELCO II), seeking the Commission's approval of its two (2) emergency capital expenditure projects, with application for authority to secure loan from the National Electrification Administration (NEA).

ISELCO II alleged the following in its *Application*:

1. That herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the following municipalities of the Province of Isabela: Ilagan, **Cabagan**, San Pablo, Sta Maria, **Naguilian**, Gamu, Roxas, Aurora, Mallig, Sto Tomas, Delfin Albano, Tumauini, Quezon, Quirino, San Manuel, Burgos, Benito Soliven, San Mariano, Maconacon, Palanan and Divilacan.
2. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with

principal office at Barangay Alibagu, Ilagan, Isabela, where it may be served with summons and other legal processes.

LEGAL BASIS FOR THE APPLICATION

3. Article III of ERC Resolution No. 26, Series of 2009¹ as well as other pertinent laws and rules.

PROPOSED EMERGENCY CAPITAL PROJECTS

4. **Summary of Identified Problems:**

4.1. **CABAGAN SUBSTATION-** The 10 MVA power transformer of Cabagan Substation was damaged (burned) due to insulation breakdown of the equipment. The existing substation structures and facilities (gantry structures, grounding system, etc.) of Cabagan Substation are in deteriorated condition.

4.2. The damaged Cabagan Substation was temporarily equipped with power fuse as the main protective equipment of the substation. Pursuant to Section GCR 4.6.1.2 of the Philippine Grid Code (PGC), all substations should be controlled by circuit breakers that are capable of interrupting the maximum short circuit current at the point of connection. Thus, the urgent need for installation of 12/15 MVA power transformer at Cabagan Substation and site rehabilitation.

4.3. **NAGUILIAN SUBSTATION-** The project includes replacing the damaged primary and secondary protection of Naguilian Substation by installing one (1) unit 69kV SF6 Power Circuit Breaker, 15kV indoor switchgear with complete accessories, control protection panel, DC power supply, and two (2) units of 15kV automatic recloser in Naguilian Substation.

4.4. The scope of works include supply and delivery, installation, testing and commissioning of the 69kV SF6 PCB, medium voltage switchgear including its accessories, and automatic recloser, civil and electrical works, testing and commissioning. A copy of the single line diagram is attached hereto and marked as **ANNEX "A"**.

4.5. The Energy Regulatory Commission was duly notified of the above incidents. Copies of said Notices are attached hereto and respectively marked as **ANNEXES "B" and "C"**.

5. Anent the above, ISELCO II arrived at two (2) capital projects to address the identified problems. These projects are the result of the technical and economic evaluation performed on several project ideas that were formulated during the planning process. Below are the two (2) projects being proposed as follows:

¹ Resolution Amending the Rules for the Approval of Regulated Entities' Capital Expenditure Projects.

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5.1 Proposed Capital Projects

Proposed Projects		Project Type	Project Category
No.	Title		
1	Installation of 12/15 MVA power transformer at Cabagan Substation and site rehabilitation	Safety / Capacity	Substation Project
2	Installation of primary and secondary protective devices for Naguilian Substation	Safety	Primary Distribution Project

5.2 Brief Description / Rationale of the Proposed Projects

Proposed Projects		Project Description / Rationale
No.	Title	
1	Installation of 12/15 MVA power transformer at Cabagan Substation and site rehabilitation	Replacement of the damaged 10 MVA power transformer of Cabagan Substation to a 12/15 MVA capacity transformer. Simultaneous to this project is the complete rehabilitation of Cabagan Substation including the installation of the necessary protective equipment to address the safety concern due to the deteriorated condition of the substation and non-compliance with the requirement of the PGC.
2	Installation of primary and secondary protective devices for Naguilian Substation	Replacement of the damaged protective equipment of Naguilian Substation to maintain the safety level of the system.

5.3 Proposed Project Cost

Proposed Projects		Project Cost (PhP)
No.	Title	
1	Installation of 12/15 MVA power transformer at Cabagan Substation and site rehabilitation	51,700,000.00
2	Installation of primary and secondary protective devices for Naguilian Substation	13,700,287.00

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loan proceeds from financial institutions, PhP	-	-	-	-	-	-
government subsidy (if any), PhP	-	-	-	-	-	-
Total Cash Inflows, PhP	65,906,892.70	74,730,650.66	81,184,941.09	87,730,940.73	94,350,079.78	403,903,504.95
Available cash for disbursement	83,262,128.81	(42,069,663.16)	(139,928,071.06)	(135,518,211.38)	(60,948,821.36)	421,258,741.06
CASH OUTFLOWS						
CAPEX requirement	177,348,517.82	152,550,260.37	51,700,000.00	-	-	381,598,778.19
old debt (previous CAPEX), PhP	22,713,924.81	26,493,088.61	31,130,578.90	19,780,689.76	4,907,630.53	105,025,912.61
new amortization (new CAPEX), PhP	-	-	-	-	-	-
ERC Permit Fee, PhP	-	-	490,502.15	-	-	490,502.15
Total Cash Outflows, PhP	200,062,442.63	179,043,348.98	83,321,081.05	19,780,689.76	4,907,630.53	487,115,192.95
Cash balance ending, PhP, excess/(shortfall)	(116,800,313.82)	(221,113,012.14)	(223,249,152.11)	(155,298,901.14)	(65,856,451.89)	(65,856,451.89)
Excess/(shortfall) on RFSC, PhP/kWh	(0.6589)	(1.0994)	(1.0213)	(0.6572)	(0.2591)	(0.0606)

Indicative rate impact of the project with availment of loan at 6.5% for 10 years

Particulars	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales, kWh	177,253,525	201,127,329	218,590,236	236,301,274	254,210,200	1,087,482,564.00
Cash balance beginning, PhP, excess/(shortfall)	17,355,236.11	36,563,811.62	40,186,274.31	38,143,191.46	54,486,499.55	17,355,236.11
CASH INFLOWS						
current year collection @PhP0.3696/kWh	65,512,902.84	74,336,660.80	80,790,951.23	87,336,950.87	93,956,089.92	401,933,555.65
50% of income on leased properties	393,989.86	393,989.86	393,989.86	393,989.86	393,989.86	1,969,949.30
loan proceeds from financial institutions, PhP	177,348,517.82	152,550,260.37	51,700,000.00	-	-	381,598,778.19
government subsidy (if any), PhP	-	-	-	-	-	-
Total Cash Inflows, PhP	243,255,410.52	227,280,911.03	132,884,941.09	87,730,940.73	94,350,079.78	785,502,283.14
Available cash for disbursement	260,610,646.63	263,844,722.64	173,071,215.39	125,874,132.19	148,836,579.33	802,857,519.25
CASH OUTFLOWS						
CAPEX requirement	177,348,517.82	152,550,260.37	51,700,000.00	-	-	381,598,778.19
old debt (previous CAPEX), PhP	22,713,924.81	26,493,088.61	31,130,578.90	19,780,689.76	4,907,630.53	105,025,912.61
new amortization (new CAPEX), PhP	23,984,392.38	44,615,099.36	51,606,942.88	51,606,942.88	51,606,942.88	223,420,320.38
ERC Permit Fee, PhP	-	-	490,502.15	-	-	490,502.15
Total Cash Outflows, PhP	224,046,835.01	223,658,448.34	134,928,023.93	71,387,632.64	56,514,573.41	710,535,513.34
Cash balance ending, PhP, excess/(shortfall)	36,563,811.62	40,186,274.31	38,143,191.46	54,486,499.55	92,322,005.92	92,322,005.92
Excess/(shortfall) on RFSC, PhP/kWh	0.2063	0.1998	0.1745	0.2306	0.3632	0.0849

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10. Lastly, evidences² that will substantiate the allegations and data are likewise attached hereto and respectively marked as ANNEXES.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, the Isabela II Electric Cooperative, Inc.'s (ISELCO II's) proposed emergency capital projects, installation of 12/15 MVA power transformer at Cabagan Substation and site rehabilitation including the replacement of the damaged primary and secondary protection of Naguilian Substation, be confirmed and approved,

Further, ISELCO II prays that the Honorable Commission grant the cooperative the Authority to Secure Loan from the National Electrification Administration (NEA).

Other reliefs, just and equitable in 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 **13 September 2018 at one o'clock in the afternoon (1:00 P.M.), at ISELCO II's principal office at Brgy. Alibagu, Ilagan, Isabela.**

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.

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 rests its case, subject to the requirements under

² ANNEXES "F" to " "

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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 it 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.

Pasig City, 18 July 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS/SLAN/ARG/GIS/APV

