

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF CAPITAL  
EXPENDITURE PROGRAM  
FOR YEARS 2015 TO 2017,  
WITH MOTION FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2019-007 RC**

**ISABELA I ELECTRIC  
COOPERATIVE, INC.  
(ISELCO I),  
Applicant.**

Promulgated  
FEB 21 2019

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**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 01 February 2019, Isabela I Electric Cooperative, Inc. (ISELCO I) filed an *Application* dated 10 October 2018 (Application), seeking the Commission's approval of its capital expenditure program for years 2015 to 2017, with motion for provisional authority.

In the said *Application*, ISELCO I alleged the following, among others:

1. ISELCO I 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. Victoria, Alicia, Isabela;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the cities of Santiago and Cauayan and municipalities of Alicia, Angadanan, Cabatuan, Cordon, Echague, Jones, Luna, Ramon, Reina Mercedes, San Agustin, San Guillermo, San Isidro and San Mateo, all in the province of Isabela;

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**LEGAL BASIS 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 electric service to its consumers, ISELCO I seeks approval, confirmation and authority from this Honorable Commission to implement its Capital Expenditure (CAPEX) Program for Years 2015 to 2017;

**THE PROPOSED PROJECTS**

4. ISELCO I's proposed CAPEX Projects subject of the instant Application are summarized hereunder, as follows:

PROPOSED NETWORK PROJECTS		Project Cost			
No.	Project Title	2015	2016	2017	Total
1	Upgrading of over extended service drop wire into Primary and Secondary Lines	8,651,931.88	8,872,856.68	7,477,714.37	25,002,502.93
2	Replacement of rotten pole/cross-arm and poles insertion	7,323,559.60	9,245,324.00	9,200,627.10	25,769,510.70
3	Relocation of Line Affected by Road Widening Project of DPWH	409,512.99	4,283,454.40	1,198,029.77	5,890,997.16
4	Relocation of 1.0 Km Three Phase Line at Dalibubun, Jones	-	384,016.83	-	384,016.83
5	Replacement of defective substation equipment protection				
	1. Replacement of 3 units Defective Current Transformer	960,000.00	-	-	960,000.00
	2. Replacement of 4-Units defective and 4 units dilapidated Circuit Recloser	1,951,073.00	1,327,382.00	2,051,073.00	5,329,528.00
	3. Replacement of 3 units Defective Protection Relay	360,000.00	-	-	360,000.00
	4. Replacement of 1 unit Defective 69 KV Breaker of Cauayan Substation	3,800,000.00	-	-	3,800,000.00
6	Installation of New 20 MVA San Fermin Cauayan Substation	-	56,995,960.00	-	56,995,960.00
7	Uprating of 10 MVA Cordon Substation into 20MVA	-	-	29,083,500.00	29,083,500.00
8	Installation of 10 MVA Garit Substation,	-	-	50,759,300.00	50,759,300.00
9	Construction 1.52kms 3 Phase line using 336 ACSR conductor from Pequeno to Tagaran	1,326,765.99	-	-	1,326,765.99
10	Construction of 5.8 kms three phase line at Minante, Cauayan City, Installation of Electronics Circuit Recloser a	5,779,395.75	-	-	5,779,395.75
11	Reconductoring of 3-Phase Line from Research to Nagrumbuan	1,419,396.75			1,419,396.75

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12	Reconductoring of Feeder 2 Cordon	3,015,631.11	-	-	3,015,631.11
13	Conversion of line at Kaquilingan Cordon	1,016,422.79	-	-	1,016,422.79
14	Conversion of line at La Salette	-	97,748.82	-	97,748.82
15	Conversion of line at Patul	-	-	607,773.48	607,773.48
16	Conversion of line from Vee-phase to three phase and installation of capacitor at San Isidro	1,219,890.02	-	-	1,219,890.02
17	Conversion of line from Silawan to Anafunan and installation of capacitor	854,216.06	-	-	854,216.06
18	Conversion of line from Malini to Nabuan	445,500.46	-	-	445,500.46
19	Conversion of line from Vee phase to three phase at Buenavista, Santiago City	433,112.63	-	-	433,112.63
20	Conversion of line from single phase to three phase at Burgos	726,151.48	-	-	726,151.48
21	Conversion of line from single phase to three phase and installation of capacitor at San Pablo	-	1,690,327.94	-	1,690,327.94
22	Conversion of line from single phase to three phase at Centro, Cabatuan	-	-	137,239.67	137,239.67
23	Installation of capacitor	-	-	356,139.96	356,139.96
24	Expansion of Distribution Line at Far Flung areas	22,545,434.52	-	34,866,460.91	57,411,895.43
25	New Member Consumer's Kwhr Meters and Connection Accessories	1,760,214.72	2,895,606.00	3,336,360.48	7,992,181.20
26	Distribution Transformer Requirements	20,664,313.06	13,857,547.44	12,955,583.74	47,477,444.23
27	Expansion of Primary Distribution Lines	945,724.21	11,461,515.67	7,030,588.69	19,437,828.57
28	Expansion of Secondary Distribution Lines	597,617.53	175,911.03	-	773,528.55
29	Replacement of Old and Defective Kilowatt-hour Meters	8,633,139.80	7,435,333.68	9,692,548.60	25,761,022.08
<b>Total Network Project</b>		<b>94,839,004.35</b>	<b>118,722,984.47</b>	<b>168,752,939.76</b>	<b>382,314,928.58</b>

**CAPEX EXPENDITURE PLAN**

- The proposed projects together with justifications are discussed in detail in ISELCO I's CAPEX Plan for Years 2015 to 2017, with technical and financial analysis and supporting data presented in ERC-specified templates;

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**FINANCIAL AND ECONOMIC EVALUATION**

[5.] **Financing Plan.** The proposed projects will be financed partly with funds to be acquired through loans from the National Electrification Administration (NEA), Rural Electrification Financing Corporation (REFC) and banks, and partly with its Reinvestment Fund for Sustainable Capital Expenditure (RFSC). Presented in the Table below are the CAPEX plan financiers to be pursued, to wit:

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED	2015	2016	2017
RFSC	169,327,728.65	47,172,205.31	53,944,094.49	68,211,428.85
Bank Loans	92,326,645.83	29,250,629.79	22,242,933.04	40,833,083.00
REFC	105,661,827.94	6,113,000.00	27,979,527.94	71,569,300.00
NEA	124,660,534.56	32,798,113.65	56,995,960.00	34,866,460.91
	491,976,736.98	115,333,948.75	161,162,515.47	215,480,272.76

[6.] **Cash Flow and Rate Impact.** As shown in the following table, ISELCO I's cash flow shows that it is able to pursue and implement the 3-year CAPEX Plan without causing a significant increase in its electricity rates. For years 2015, 2016 and 2017, there is a minimal indicative additional rate requirement to cover the cost of the projects, new loan amortizations and permit fee, as follows, to wit:

Indicative Rate Impact of the Project				
	2015	2016	2017	Total
Forecasted energy sales, kWh	321,424,479	340,119,224	376,368,193	1,037,911,896
Cash balance beginning, PhP, excess/(shortfall)		(19,200,037.61)	(105,121,830.32)	(124,321,868)
<b>CASH INFLOWS</b>				
current year collection @PhPo.2178/kWh	70,006,251.61	74,077,966.89	81,972,992.44	226,057,211
annual income on leased properties	1,730,237.82			1,730,238
loan proceeds from financial institutions (SEP), PhP	23,000,000.00	-	34,000,000.00	57,000,000
loan proceeds from financial institutions REFC, PhP	25,000,000.00	2,601,080.00	8,551,781.00	36,152,861
loan proceeds from financial institutions (hilux), PhP	1,938,000.00			1,938,000
loan proceeds from financial institutions (Fleet), PhP		27,319,200.00		27,319,200
loan proceeds from financial institutions (SS), PhP			67,387,781.00	67,387,781
Total Cash Inflows, PhP	121,674,489.43	103,998,246.89	191,912,554.44	417,585,291
Available cash for disbursement	121,674,489.43	84,798,209.29	86,790,724.11	293,263,423
<b>CASH OUTFLOWS</b>				
CAPEX requirement	115,333,948.75	161,162,515.47	215,042,147.67	491,538,612
CAPEX debt service (old amortization)	19,608,656.72	17,863,880.72	13,604,836.72	51,077,374
CAPEX debt service (new amortization)	4,919,852.03	9,550,945.45	20,825,943.38	35,296,741
ERC Permit Fee, PhP	1,012,069.54	1,342,697.97	1,714,852.38	4,069,620
Total Cash Outflows, PhP	140,874,527.03	189,920,039.61	251,187,780.14	581,982,346.8
Cash balance ending, PhP, excess/(shortfall)	(19,200,037.61)	(105,121,830.32)	(164,397,056.03)	(288,718,924)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0597)	(0.3091)	(0.4368)	(0.1584)

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY**

- [7.] Applicant repleads the foregoing allegations as may be material herein;
- [8.] Due to unforeseen situations or occurrences coupled with delays attributable to the filing of CAPEX applications, the cooperative has been constrained to implement the foregoing projects pending the filing of the instant application;
- [9.] In view thereof, Applicant respectfully moves of the Honorable Commission to permit the implementation of those projects pending approval of the instant application, said implementation having enabled the cooperative to deliver a safe, efficient and more reliable electric service to its consumers;

**SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS**

- [10.] Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 and pre-filing requirements under the ERC Rules of Practice and Procedure, ISELCO I is submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Capital Expenditure Plan for Years 2015 to 2017 with supporting data in ERC-specified templates
B B-1	Affidavit of Posting Notice on the Proposed Projects
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Judicial Affidavit in Support of the Motion for Provisional Authority
E and series	Proof of furnishing copies of the application to the Sangguniang Bayan of Alicia and Sangguniang Panlalawigan of Isabela
F and series	Publication of the Application in a newspaper of general circulation in ISELCO I's franchise area or where it principally operates

**PRAYER**

**WHEREFORE**, premises considered, ISELCO I respectfully prays of this Honorable Commission that the cooperative's implementation of the proposed projects pending evaluation thereof be permitted and after due notice and hearing, the proposed projects be approved accordingly.

Other relief, 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 **9 May 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at ISELCO I's Principal Office, Brgy. Victoria, Alicia, 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 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 **CATHERINE P. MACEDA** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 18<sup>th</sup> day of February 2019 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*