

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



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF INTERIM CAPITAL
EXPENDITURE PROJECTS FOR
THE YEARS 2013 AND 2014
AND FOR AUTHORITY TO
SECURE LOAN, WITH PRAYER
FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2014-044 RC

**LA UNION ELECTRIC
COOPERATIVE, INC. (LUELCO),
Applicant.**

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DOCKETED
Date: JAN 28 2015
By: *[Signature]*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on April 21, 2014, the La Union Electric Cooperative, Inc. (LUELCO) filed an application for approval of its interim capital expenditure projects for the years 2013 and 2014 and for authority to secure loan, with prayer for provisional authority.

In the said application, LUELCO alleged, among others, that:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Barangay Sta. Rita, East Aringay, La Union;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in in the City of San Fernando and the municipalities of Aringay, Agoon, Caba, Bauang, Sto.Tomas, Tubao Pugo, Rosario, Naguilian, Burgos, Bagulin, San Juan, Bacnotan, Balaoan, Luna, San Gabriel, Sudipen, Santol, Bangar, all in the province of La Union, and the municipality of Sison in the province of Pangasinan;

3. Pursuant to the Commission's Resolution No. 26 Series of 2009 and Resolution No. 20, Series of 2011, as well as other pertinent laws and rules, the application is being submitted to the Commission for its consideration and approval, of LUELCO's Interim Capital Expenditure (Capex) Projects for the Years 2013 and 2014, summarized and enumerated hereunder, as follows:

Table F1. Summary of Capital Projects at its Present Value.

PROJECT TITLE	Year		Total (PhP)
	2013 (PhP)	2014 (PhP)	
NETWORK ASSETS			
LOW VOLTAGE SERVICE DEVELOPMENT PLAN			
Acquisition/Procurement of Additional Distribution Transformers	20,326,518	21,223,335	41,549,853
NEW LOW VOLTAGE CUSTOMERS CONNECTIONS	12,729,728	13,630,119	26,359,846
ASSET RENEWAL PROJECT - SYSTEM LOSS REDUCTION PROGRAM			
Replacement of Defective, Low Accuracy and Old Kilowatt-hour Meters	6,064,622	5,438,098	11,502,720
TOTAL NETWORK ASSETS	39,120,867	40,291,552	79,412,420
NON-NETWORK ASSETS			
Acquisition of Additional Boom Trucks and Pick-up Trucks	10,000,000		10,000,000
PCB TESTING FOR SUSPECTED DISTRIBUTION TRANSFORMERS	3,000,000		3,000,000
TOTAL NON-NETWORK ASSETS	13,000,000	-	13,000,000
TOTAL PROJECT COST	52,120,867	40,291,552	92,412,420

Table F2. Summary of Capital Projects at its Future Costs with 3.2% Inflation Factor.

PROJECT TITLE	Year		Total (PhP)
	2013 (PhP)	2014 PhP)	
NETWORK ASSETS			
LOW VOLTAGE SERVICE DEVELOPMENT PLAN			
Acquisition/Procurement of Additional Distribution Transformers	20,976,967	22,603,361	43,580,328
NEW LOW VOLTAGE CUSTOMERS CONNECTIONS	13,137,079	14,516,404	27,653,482
ASSET RENEWAL PROJECT - SYSTEM LOSS REDUCTION PROGRAM			
Replacement of Defective, Low Accuracy and Old Kilowatt-hour Meters	6,258,690	5,791,705	12,050,395
TOTAL NETWORK ASSETS	40,372,735	42,911,470	83,284,205
NON-NETWORK ASSETS			
Acquisition of Additional Boom Trucks and Pick-up Trucks	10,320,000	-	10,320,000
PCB TESTING FOR SUSPECTED DISTRIBUTION TRANSFORMERS	3,096,000	-	3,096,000
TOTAL NON-NETWORK ASSETS	13,416,000	-	13,416,000
TOTAL PROJECT COST	53,788,735	42,911,470	96,700,205.26

4. **Capex Plan.** Its Interim Capex Projects for the Years 2013 and 2014 together with justifications are discussed in detail in its Distribution and Development Plan (DDP) for 2013 and 2014 together with supporting data presented in a Commission specified templates;

5. **Financing Plan.** Its Interim Capex Projects shall be financed from its Reinvestment Fund for Sustainable Capital Expenditures (RFSC) of PhP0.2904/kWh as approved by the Commission as well as from loans from the National Electrification Administration (NEA). The Table below summarizes LUELCO's Interim CAPEX projects financiers to be pursued and the corresponding costs to be financed:

Table F1. Summary of Capital Projects at its Present Value.

PROJECT TITLE	Recommended Financing Institution	Year		Total (PhP)
		2013 (PhP)	2014 (PhP)	
NETWORK ASSETS				
LOW VOLTAGE SERVICE DEVELOPMENT PLAN				
Acquisition/Procurement of Additional Distribution Transformers	NEA	20,326,518	21,223,335	41,549,853
NEW LOW VOLTAGE CUSTOMERS CONNECTIONS	NEA	12,729,728	13,630,119	26,359,846
ASSET RENEWAL PROJECT - SYSTEM LOSS REDUCTION PROGRAM				
Replacement of Defective, Low Accuracy and Old Kilowatt-hour Meters	Coop/RFSC	6,064,622	5,438,098	11,502,720
TOTAL NETWORK ASSETS		39,120,867	40,291,552	79,412,420
NON-NETWORK ASSETS				
Acquisition of Additional Boom Trucks and Pick-up Trucks	NEA	10,000,000		10,000,000
PCB TESTING FOR SUSPECTED DISTRIBUTION TRANSFORMERS	Coop/RFSC	3,000,000		3,000,000
TOTAL NON-NETWORK ASSETS		13,000,000	-	13,000,000
TOTAL PROJECT COST		52,120,867	40,291,552	92,412,420

Table F2. Summary of Capital Projects at its Future Costs with 3.2% Inflation Factor.

PROJECT TITLE	Recommended Financing Institution	Year		Total (PhP)
		2013 (PhP)	2014 (PhP)	
NETWORK ASSETS				
LOW VOLTAGE SERVICE DEVELOPMENT PLAN				
Acquisition/Procurement of Additional Distribution Transformers	NEA	20,976,967	22,603,361	43,580,328

NEW LOW VOLTAGE CUSTOMERS CONNECTIONS	NEA	13,137,079	14,516,404	27,653,482
ASSET RENEWAL PROJECT - SYSTEM LOSS REDUCTION PROGRAM				
Replacement of Defective, Low Accuracy and Old Kilowatt-hour Meters	Coop/RFSC	6,258,690	5,791,705	12,050,395
TOTAL NETWORK ASSETS		40,372,735	42,911,470	83,284,205
NON-NETWORK ASSETS				
Acquisition of Additional Boom Trucks and Pick-up Trucks	NEA	10,320,000	-	10,320,000
PCB TESTING FOR SUSPECTED DISTRIBUTION TRANSFORMERS	Coop/RFSC	3,096,000	-	3,096,000
TOTAL NON-NETWORK ASSETS		13,416,000	-	13,416,000
TOTAL PROJECT COST (PhP)		53,788,735	42,911,470	96,700,205.26

6. **Cash Flow.** Its cash flow shows that it can viably pursue and implement the two (2) years Interim Capex Projects without necessarily effecting a significant increase in its electricity rates. The Table below shows the capex plan cash flow cost or the cost of service thereto (in PhP) including projected Commission Capex Approval Fee:

Table F3. Summary of annual cash flow cost of capex plan.

Financing Amortization	2013 (PhP)	2014 (PhP)	TOTAL (PhP)
National Electrification Administration	-	2,556,554	2,556,554
Coop-Direct Capex Rate Financing	9,354,690	5,791,705	15,146,395
Annual Cost of Amortizations	9,354,690	8,348,260	17,702,949
Add: Capex Approval Cost	390,907	302,187	693,093
Total Capex Plan Cost to Consumers	9,745,596	8,650,446	18,396,042

7. Further, its Interim Capital Expenditure structure also considered previous indebtedness incurred in financing past capital projects outstanding as of 2008, such that including the amortization of the said indebtedness will have the cash flow as shown in the Table below, as follows:

Table F4. Cash flow cost of capex plan including existing amortization:

	2013 (PhP)	2014 (PhP)	TOTAL (PhP)
Annual Revenue Cash Flow from RFSC/MCC Rate	43,756,891	46,449,190	90,206,081
Total Cost of Amortization (New Capex Projects)	9,354,690	8,348,260	17,702,949
ERC Capex Approval Fees	390,907	302,187	693,093
Total Cost of Amortization (existing)	27,269,486	56,103,932	83,373,418
Annual Capex Plan CF (Revenue Requirement)	37,015,082	64,754,378	101,769,460
Net Cash Flow (Add'l Revenue Requirement)	6,741,809	(18,305,188)	(11,563,379)

8. The table above shows that funds generated from the distribution utility's Reinvestment Fund for Sustainable CAPEX (RFSC) is not sufficient to finance the annual capital project costs of the distribution utility;
9. **Rate Impact.** The instant Capex Plan was envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the value to consumers at the most reasonable and justifiable electricity rates or at the least cost of service. Shown below is the annual rate impact of the Capex Plan on its MCC/RFSC:

Table F5. Capex Plan Cost Cash flow per KWh Rate (indicative rates).

Particulars	2013 (PhP)	2014 (PhP)	Total (PhP)
kWh Sales Forecast	150,678,000	159,949,000	310,627,000
Annual Revenue Cash Flow from MCC Rate	43,756,891	46,449,190	90,206,081
Current MCC Rate per kWh	0.2904	0.2904	0.2904
Capex Plan Cost Cash Flow	37,015,082	64,754,378	101,769,460
Indicative Additional Revenue Requirement (Excess)	(6,741,809)	18,305,188	11,563,379
Current MCC Rate per kWh	0.2904	0.2904	0.2904
Capex Plan Cost Cash Flow Indicative Rate per kWh	0.2457	0.4048	0.3276
Indicative Additional (Excess) Revenue Requirement/kWh	(0.0447)	0.1144	0.0372

10. **Authority to Secure Loan.** As shown above, the projects will be financed thru loans from the NEA. In view thereof, applicant likewise applies with the Commission for authority to secure those loans;
11. **Prayer for Provisional Authority.** Moreover, as shown above, some of the proposed projects will need implementation while the instant application is pending evaluation of the Honorable Commission, or unforeseen situations or occurrences may arise which might necessitate the immediate implementation of particular proposed projects. In view thereof, applicant respectfully moves for the issuance of a provisional authority while the case is pending, to implement said projects and to secure loan from NEA as may be deemed necessary and urgent under the circumstances, to enable the cooperative to deliver a safe, more reliable and efficient electric service to its consumers;
12. **Pre-Filing and Documentary Requirements.** Finally, in compliance with the Commission's pre-filing as well as other documentary requirements, it submitted documents which are being made integral parts of the application as Annexes "A" to "G-2"; and
13. It prays that: a) upon initial review of the application and pending trial on the merits, a provisional authority be issued permitting it to implement the proposed projects as they become urgently necessary and to secure loans from the National Electrification Administration (NEA) to finance the same; b) after due notice and hearing, its Interim Capex Projects for the years 2013 and 2014 as well as the corresponding application for authority to secure loans from NEA to finance the same be granted accordingly; and c) it be allowed to pay the corresponding Commission's Permit Fee on installment over a period of two (2) years.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **April 15, 2015 (Wednesday) at nine o'clock in the morning (9:00 A.M.), at the LUELCO's Main Office, Barangay Sta. Rita, East Aringay, La Union.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON** and **GLORIA VICTORIA C. YAP-TARUC**, Energy Regulatory Commission, this 20th day of January 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III