

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
APPLICATION FOR AUTHORITY TO
SECURE LOAN FROM NEA, AND
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2014-079 RC

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

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BOOKED
Date: JAN 28 2015
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 9, 2014, Ilocos Norte Electric Cooperative, Inc. (INEC) filed an application for approval of its capital expenditure program for the years 2015 and 2017 and for authority to secure loan from the National Electrification Administration (NEA), with prayer for provisional authority.

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

1. It is an Electric Cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Barangay Suyo, Dingras, Ilocos Norte;
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 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;

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, this application is being submitted to the Commission for its consideration and approval, of INEC's proposed Capital Expenditure Program for the Years 2015 to 2017, summarized and enumerated hereunder, as follows:

PROJECT CODE	PROJECT NAME	ESTIMATED COST (PHP)	SCHEDULE OF IMPLEMENTATION
SUB-STATION AND SUB-TRANSMISSION DEVELOPMENT PROJECTS			
SUB-001	Repair/Rehabilitation of the 10-MVA Batac S/S	6,000,000	2015
SUB-002	69 kV SF6 Breaker and Control for Dingras, Marcos, Tangaoan and Currimao Substations	17,000,000	2016
PRIMARY DISTRIBUTION DEVELOPMENT PROJECTS			
PDE-001	CAPEX for Medium Voltage Distribution Lines	25,337,490	2015-2017
PDS-001	Installation of Distribution Protective Devices in Long Laterals	6,307,608	2015
PDS-002	Reconductoring of Corroded Lines in Paoay (Barangays Pasil, Sungadan & Surgui), Circuit-7B	1,904,241	2015
PDS-003	Reconductoring of Corroded Lines in Sitio Bantoc, Baruyen, Bangui, Feeder-2D	4,514,687	2016
PDS-004	Replacement of Secondary Switch Gear and Control for Burgos S/S	5,000,000	2016
PDQ-001	Extension of Feeder Line from Madupays, Badoc to Uguis, Nueva Era, Circuit-6	477,407	2015
PDQ-002	Conversion of 1Ø to 3Ø Line in Brgy. Gabu Sur, Laoag City, Feeder-8	452,591	2015
PDQ-003	Installation of 3-38.1 KVA AVR in Pagudpud, Feeder-2D	1,800,000	2015

PDQ-004	Installation of 3-114.3 KVA AVR with Reconductoring and Primary Line Extension in Bacarra, Feeder-2A	6,880,641	2016
PDQ-005	Installation of 3-76.1 KVA AVR with Reconductoring and Conv.of 1Ø to 2Ø Line in Circuit-7A	3,887,672	2017
SECONDARY DISTRIBUTION DEVELOPMENT & NEW CUSTOMER CONNECTION PROJECTS			
SDE-001	CAPEX for Distribution Transformers	23,943,665	2015-2017
SDE-002	CAPEX for Low Voltage Distribution Lines	25,497,505	2015-2017
SDE-003	CAPEX for Secondary Service Drops	8,825,160	2015-2017
SDE-004	CAPEX for Metering Equipment	31,231,189	2015-2017
SDS-001	Rehabilitation of Duplex Wires into Low-Voltage Distribution Lines	19,963,170	2015-2017
ASSET RENEWAL PROJECTS			
RNW-001	Replacement of Rotten Poles	46,564,138	2015-2017
RNW-002	Replacement of Defective KWH Meters	10,114,170	2015-2017
DISTRIBUTION MANAGEMENT SYSTEM			
DMS-001	Replacement of Aging Meter-Reading Devices (Mobile EDA and Mobile Thermal Printer)	9,005,430	2015
DMS-002	Installation of a Data-center Computer for INEC Main Office	3,000,000	2016
DMS-003	Supervisory Control & Data Acquisition (SCADA) - for Currimao, Burgos, Dingras & Laoag-3 Substations	15,000,000	2016
GRAND TOTAL		PhP272,706,764.00	

4. **Capex Plan.** Its Capex Projects for 2015 to 2017 are discussed in detail in its Distribution Development Plan (DDP) for 2015 to 2017 together with supporting data presented in ERC-specified templates;

5. **Financing Plan.** INEC's proposed Capex projects shall be financed from its Reinvestment Fund for Sustainable Capital Expenditures (RFSC) as well as from loans from the National Electrification Administration (NEA). The Table below summarizes the Capex projects financiers to be pursued and the corresponding costs to be financed:

Proposed Financiers

Source of Funds	Project Cost (PhP)	2015 (PhP)	2016 (PhP)	2017 (PhP)
Reinvestment Fund for Sustainable Capex (RFSC)	88,307,617	30,076,741	44,419,685	13,811,190
National Electrification Administration (NEA)	184,399,147	65,812,079	71,105,513	47,481,556
Total	272,706,764	95,888,820	115,525,198	61,292,746

6. **Cash Flow.** Its cash flow financial program shows that it can viably pursue and implement the three (3) year Capex Projects without necessarily resulting in a significant increase in its electricity rates. The Table below shows the projected amounts the cooperative need annually to cover the cost of the proposed projects including projected Commission's Capex Permit Fee;

Summary of Annual Cash Flow Cost of Capex Plan

Source of Fund	Total (PhP)	Financial Requirements		
		2015 (PhP)	2016 (PhP)	2017 (PhP)
Reinvestment Fund for Sustainable Capex (RFSC)	88,307,616	30,076,741	44,419,685	13,811,190
National Electrification Administration (NEA)	45,011,886	5,022,914	15,469,091	24,519,881
Total	133,319,502	35,099,655	59,888,776	38,331,071
Capex Permit Fee	2,045,301	2,045,301	-	-
Capex Plan Cost to Customers	135,364,803	37,144,956	59,888,776	38,331,071

7. Further, its whole capital expenditure structure also considered previous indebtedness incurred in financing past Capex projects, the Commission-approved 2010-2012 Capex Plan amortization, the 2013-2014 Interim Capex Plan amortization and the National Transmission Corporation's (TRANSCO) Subtransmission Assets amortization, such that including the amortizations of the said indebtedness will have the cash flow as shown in the Table below, to wit:

Summary of Cash Flow Cost of CAPEX Plan including Amortization of Past Indebtedness

Particulars	2015 (PhP)	2016 (PhP)	2017 (PhP)	TOTAL (PhP)
Projected kWh Sales	239,387,530	250,922,917	262,691,655	753,002,102
Current RFSC Rate per kWh	0.2752	0.2752	0.2752	0.2752
Projected Collection from RFSC	65,879,448	69,053,987	72,292,744	207,226,179
CAPEX Plan Cost (from RFSC)	30,076,741	44,419,685	13,811,190	88,307,616
CAPEX Plan Amortization – Existing Loans	16,573,250	16,573,250	16,573,250	49,719,750
CAPEX Plan Amortization – 2010-12 CAPEX	17,162,851	29,311,604	34,969,322	81,443,776
CAPEX Plan Amortization – 2013-14 CAPEX	13,740,064	13,740,064	13,740,064	41,220,191
CAPEX Plan Amortization – 2015-17 CAPEX	5,022,914	15,469,091	24,516,881	45,008,886
Amortization – TRANSCO Sub-Transmission Assets	3,173,438	3,173,438	3,173,438	9,520,313
CAPEX Permit Fee	2,045,301	-	-	2,045,301
Total CAPEX Plan Cost	87,794,558	122,687,131	106,784,144	317,265,832
Net Cash Flow	(21,915,109)	(53,633,144)	(34,491,400)	(110,039,654)

8. **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 customers 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 INEC's RFSC:

Rate Impact in Terms of Rate per kWh

	2015 (PhP)	2016 (PhP)	2017 (PhP)	TOTAL (PhP)
kWh Sales Forecast	239,387,530	250,922,917	262,691,655	753,002,102
Current RFSC Rate per kWh	0.2752	0.2752	0.2752	0.2752
Annual Collection from RFSC	65,879,448	69,053,987	72,292,744	207,226,179
CAPEX Plan Cost Cash Flow	87,794,558	122,687,131	106,784,144	317,265,832
Additional Revenue Requirement	21,915,109	53,633,144	34,491,400	110,039,654
Additional Revenue Requirement per kWh	0.0915	0.2137	0.1313	0.1461
Current RFSC Rate per kWh	0.2752	0.2752	0.2752	0.2752
Adjusted RFSC Rate per kWh	0.3667	0.4889	0.4065	0.4213

9. **Authority to secure loan from NEA.** As shown above, the proposed projects shall be financed through loans from NEA considering that the cooperative's RFSC is not readily available in bulk amount and therefore not sufficient to fully finance the implementation of the proposed projects as planned. In view thereof, it hereby applies for authority from the Commission to secure said loans;

10. **Prayer for Provisional Authority.** As shown above, some of the proposed projects have Year 2015 as proposed commissioning year, or the same or the others might need urgent implementation while the instant application is pending evaluation of the Commission. In view thereof, it moves for the issuance of a provisional authority while the case is pending, to implement said projects as these become urgently necessary under prevailing circumstances, as well as to secure loans from NEA to finance the same as may be necessary, to enable it to deliver a more reliable, safe and efficient electric service to its consumers;

11. **Documentary and Pre-Filing Requirements.** Finally, in compliance with the pre-filing as well as other documentary requirements for the instant application, it submitted documents which are being made integral parts of the application as Annexes "A" to "H-2"; and
12. It prays that: a) during the pendency of the application, a provisional authority be issued permitting it to implement the proposed projects as these become urgently necessary as well as to secure loans from NEA to finance the same as may be necessary; and b) after due notice and hearing, its Capital Expenditure Program for 2015 to 2017 as well as application for authority to secure loan from NEA, be granted accordingly.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **April 16, 2015 (Wednesday) at nine o'clock in the morning (9:00 A.M.), at the INEC's Main Office, Barangay Suyo, Dingras, Ilocos Norte.**

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