

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
PROPOSED SIX (6) YEARS
CAPITAL EXPENDITURE
PROJECTS**

ERC CASE NO. 2015-176 RC

**MARINDUQUE ELECTRIC
COOPERATIVE, INC.
(MARELCO),**

Applicant.

DOCK E T E D
Date: **FEB 05 2016**
By: *W*

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 19 October 2015, Marinduque Electric Cooperative, Inc. (MARELCO) filed an application for the approval of its proposed six (6) years capital expenditure projects.

In the said application, MARELCO alleged, among others, the following:

1. MARELCO is an electric cooperative created and existing pursuant to the provisions of P.D. 269, as amended, with principal office at Brgy. Ihatud, Boac, Marinduque, Philippines, represented herein by its general manager, Engr. Gaudencio M. Sol, Jr. who is duly authorized by virtue of Resolution No. 2015-129, Series of 2015 dated 23 September 2015;
2. MARELCO has been granted by the National Electricifaction Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising of the Municipalities of Boac, Buenavista, Mogpog, Gasan, Sta. Cruz, and Torrijos, all in the province of Marinduque;

THE APPLICATION AND ITS PURPOSE

3. This Application is filed in compliance with ERC Resolution No. 26 Series of 2009 (A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects) and Section 43 of RA No. 9136, otherwise, known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its Implementing Rules and Regulations, which categorically provides that all capital expenditure projects (CAPEX) shall be submitted to and for the approval of the Commission prior to its implementation, in relation to ERC Resolution No. 20, Series of 2011 which sets the timelines for the filing of the instant application;
4. The aforecited amended rules were issued by the Commission to ensure that the projects are timely, appropriate, necessary and cost efficient; to ensure that the proposed capital projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippine Distribution Code (PDC), and other relevant government issuances; and to ensure that the procurement of equipment, materials and services are transparent, competitive and compliant with the applicable laws and regulation;

THE PROJECTS

5. In accordance with the Amended CAPEX Rules, consistent with the Distribution Development Plan and the Philippine Distribution Code, MARELCO shall acquire, construct and implement the following six (6) years capital expenditure, the total approximate cost of which is PhP 158, 663, 566.31, as follows:

NETWORK PROJECTS:	COST (PhP)
a. Safety	36,380,169.37
b. Power Quality	17,525,800.23
c. Capacity	30,489,385.37
d. System Loss	29,927,993.19
e. Buffer Stocks	5,790,376.91
Sub-Total	120,113,725.07

NON-NETWORK PROJECTS	
a. Building Structures & Equipment	10,402,497.50
b. Office Furniture & Equipment	2,245,360.75
c. Laboratory Equipment	4,674,447.65
d. Information Technology Equipment	9,268,982.69
e. Tools, Shop, Safety & Garage Equipment	2,786,052.65
f. Transportation Equipment	9,172,500.00
Sub-total	38,549,841.24
GRAND TOTAL	158,663,566.31

5.1 Description of the Projects

5.1.1 The Network CAPEX projects are intended to address the safety, power quality and reliability of the distribution system of the electric cooperative;

5.1.2 The other Network CAPEX projects are intended to respond to customer requirements in terms of additional distribution transformers, meters and service drop wires due to annual customer growth as forecasted, rural electrification projects and system loss reduction programs;

5.1.3 Non-network CAPEX projects will enhance its capability in responding to customer requests and concerns for better and efficient electric service. Non-network projects will include building structures, and improvement of existing facilities, acquisition of office furniture and equipment, meter laboratory equipment, information technology equipment, tools, shop, safety and garage equipment, and transportation equipment; and

5.1.4 MARELCO will also strive to have contingency projects and acquire materials and equipment buffer stock for emergency response for the repair and rehabilitation of damaged

distribution lines and restoration of electric service soonest after the occurrence of force majeure and/or fortuitous event.

JUSTIFICATION OF THE CAPITAL PROJECTS

6. The prevailing situation in the electric power industry, particularly, the supply of power necessitates the distribution utility to maximize the available power to serve its customers in a more equitable and efficient manner. This could be attained by MARELCO by improving and enhancing its capabilities through the appropriate asset-development and expansion in order to meet the growing demands;
7. The procurement of the aforementioned project is of great necessity in the schedules herein provided, in order to avoid the possibility of service decline which will be prejudicial to MARELCO's consumers;

SUPPORTING DOCUMENTS

8. MARELCO attached and made integral part of the instant application the following documents:
 - a. Chapter 1- Executive Summary;
 - b. Chapter 2- Distribution Planning Process;
 - c. Chapter 3- Historical Data and Load Forecast;
 - d. Chapter 4- Analysis of Existing Distribution System;
 - e. Chapter 5- Proposed CAPEX Projects consisting of Network, Non-network and other CAPEX projects;
 - f. Chapter 6- Financial Analysis;
 - g. Chapter 7- Recommendation; and
 - h. Various Annexes to further support the application.

PRE-FILING REQUIREMENTS

9. MARELCO submitted the following in compliance with the pre-filing requirements of the Commission:
 - a. Board Resolution approving the preparation and filing of the six (6) year CAPEX projects application;

- b. Proof of furnishing copies of the application and its attachments to the Sanggunian Bayan office of where MARELCO's main office is located and the Sangguniang Panlalawigan; and
- c. Publication of the application in a newspaper of general circulation.

SOURCES OF FUNDS FOR THE PROJECTS

10. In the implementation of the proposed projects, MARELCO shall partly utilize its internally generated funds out of the members contribution for CAPEX projects, and part of the fund shall be sourced through a financing program from the National Electrification Administration (NEA) which is integrated in this application for the approval of said loan;
11. The implementation of the proposed CAPEX shall bring forth an indicative rate impact as follows:

Source of Fund	2011	2012	2013	2014	2015	2016	Project Cost to be Financed
Annual Revenue from CAPEX Rate	11,765,856.00	12,777,940.00	13,603,218.00	13,987,494.00	14,840,494.00	15,807,370.00	82,782,371.00
Total Cost of amortization	8,581,125.00	10,603,920.00	9,032,581.00	8,434,381.00	17,122,920.00	27,533,619.00	81,308,545.00
Capex Approval Fee	64,358.00	79,529.00	67,744.00	93,277.00	528,600.00	356,467.00	1,189,977.00
Existing Loan Amortization	779,892.00	779,892.00	587,396.00				
Annual Capex Plan Cost (Revenue Requirement)	9,425,376.00	11,463,341.00	9,687,721.00	8,527,658.00	17,651,520.00	27,890,086.00	84,645,702.00
Balance: Additional Revenue Requirement	2,340,480.00	1,314,599.00	3,915,496.00	5,459,836.00	(2,811,026.00)	(12,082,716.)	(1,863,332.00)
Capex Plan cost Cash Flow Rate/Kwh	0.0486	0.0591	0.0499	0.0439	0.0909	0.1437	0.4361
Additional Revenue Req per KWh (RFSC Rate)	(0.0121)	0.0068	0.0202	0.0281	(0.0145)	(0.0623)	(0.0096)

PRAYER

12. MARELCO prays that the Commission:

- a. after due notice and hearing, approve the capital projects/expenditures subject of this application in the amount of PhP 158,663,566.31 and be declared just, reasonable, and equitable pursuant to the provisions of ERC Resolution No. 26, Series of 2009, and other related laws, rules and regulations;
- b. approve the loan contract with NEA; and
- c. allow/authorize the utilization of such loan and thereafter recover from the member-consumers its expenditures/costs incurred in the implementation of the Capital Expenditure Projects.

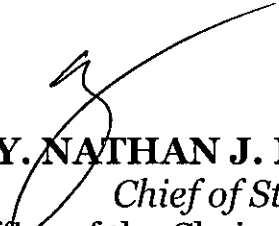
The Commission has set the said application for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **11 March 2016 (Friday) at one-thirty in the afternoon (1:30 P.M.) at the MARELCO Main Office, Brgy. Ihatub, Boac, Marinduque.**

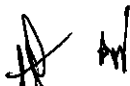
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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 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. Any such person may likewise examine the application and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 1st day of February, 2016 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


LBB/APV