

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



IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF FORCE MAJEURE EVENT CAPITAL EXPENDITURE PROJECT, RE: REPAIR, RESTORATION, REPLACEMENT AND/OR REHABILITATION OF SUBSTATION EQUIPMENT, DISTRIBUTION LINES AND TRANSFORMERS, METERING FACILITIES, AND COMMUNICATION INFRASTRUCTURE DAMAGED BY TYPHOON LAWIN, WITH APPLICATION FOR AUTHORITY TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND PRAYER FOR PROVISIONAL AUTHORITY,

ERC CASE NO. 2017-013 RC

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

X ----- X

D O C K E T E D

Date: JUL 31 2017

By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 24 February 2017, Ilocos Norte Electric Cooperative, Inc. (INEC) filed an Application seeking the Commission's confirmation and approval of its force majeure event Capital Expenditure Project for the repair, restoration, replacement, and rehabilitation of Substation equipment, distribution lines,

transformers, metering facilities, and communication infrastructure damaged by typhoon Lawin, with authority to secure loan from the National Electrification Administration (NEA) and prayer for provisional authority.

In its Application, INEC alleged the following:

1. INEC 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. Suyo, Dingras, Ilocos Norte;
2. It holds an exclusive franchise issued by the National Electrification Commission 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.

LEGAL BASES FOR THE APPLICATION

3. The instant Force Majeure CAPEX application is being filed pursuant to Section 3.3 of ERC Resolution No. 26 Series of 2009, which provides that if a Force Majeure or Fortuitous Event, as the case may be, occurs, the regulated entity shall seek the Commission's confirmation of the implementation of capital expenditure projects arising from such event.
4. On the other hand, the accompanying application for authority to secure loan from the National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which provides that it shall be unlawful for any public service to issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof, without the approval and authorization of the Commission.

THE FORCE MAJEURE EVENT

(Typhoon Lawin)

5. Typhoon 'Lawin' (international name 'Haima') entered the Philippine area of responsibility on October 17, 2016 and was intensified two days later after it made a landfall. Lawin, which reached super typhoon category as it inched closer to Philippine landmass made landfall at the vicinity of Peñablanca, Cagayan at around 11 p.m. on October 19, 2016. Several areas in the path of the super typhoon were placed under Signal No. 5, the highest cyclone warning issued by the Philippine Atmospheric, Geophysical and Astronomical

Services Administration (PAG-ASA). Power transmission lines in northern Luzon were cut, affecting the provinces of La Union, Isabela, Cagayan, Abra, Benguet, Mountain Province, Ilocos Norte, Ilocos Sur, Ifugao, Nueva Vizcaya and Quirino.

6. In the wake of Typhoon Lawin which left an estimated PhP673,493,056.06 worth of damages in Ilocos Norte, the whole province was declared under a state of calamity.
7. Restoration of INEC's facilities took some time due to the extensive damage sustained. It took twenty-two (22) days for the cooperative to restore 100% of its distribution network facility and another fifteen (15) days to restore its communication infrastructure.

DESCRIPTION OF THE PROJECT

8. The Force Majeure CAPEX Project is for the immediate replacement of the distribution line materials and equipment as well as service drop wires and metering facilities utilized in the reconstruction, repair and rehabilitation of network assets damaged by Typhoon Lawin. The distribution line materials and equipment used during the restoration were sourced from materials and equipment intended for the implementation of the cooperative's CAPEX Projects 2016-2017, which should be immediately replenished to be able to proceed with scheduled construction activities. This application likewise covers the payment of suppliers of the poles and other materials which were procured to fast-track the restoration. The cost of reconstruction of damaged communication infrastructures is also included in the instant application.

PROJECT COST

9. The total cost of the project is Nineteen Million Six Hundred Seventy Five Thousand Four hundred Forty Six Pesos (PhP 19,675,446.00).

PROJECT SCHEDULE

10. Repair and restoration works were immediately undertaken after the typhoon left the country. It took 22 days for the cooperative to restore 100% of its distribution network facility and another 15 days for the restoration of its communication infrastructure.

JUSTIFICATIONS OR BENEFITS DELIVERED

11. The project ensured power restoration in the entire coverage area of INEC and delivery of more reliable and efficient service to its consumers. It was also intended to restore the safety and protection of the cooperative's entire distribution system.

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PROJECT FINANCING PLAN

12. The total cost of the project is being funded entirely through a Calamity Loan from the National Electrification Administration (NEA) with an interest rate of 3.25% per annum, payable in quarterly amortizations of Five Hundred Seventy Eight Thousand One Hundred Eighteen Pesos (PhP 578,118.00) for a period of ten (10) years. Amortization payments will be covered by the cooperative's collections of Reinvestment Fund for Sustainable CAPEX (RFSC).

INDICATIVE RATE IMPACT

13. There shall be no increase in the RFSC Rate in the implementation of the subject Force Majeure CAPEX project. The table below shows the Cash Flow Analysis of the RFSC for years 2017-2019:

	2017	2018	2019	TOTAL
Energy Sales Forecast, kWh	262,691,655	274,643,847	286,740,043	824,075,546
Approved RFSC Rate, PhP/kWh	0.2752	0.2752	0.2752	0.2752
Cash Balance Beginning, PhP, Excess/(Shortfall)	51,417,984.68	11,833,041.45	15,904,481.03	51,417,984.68
CASH INFLOWS				
Current Year RFSC Collection, PhP	72,292,743.58	75,581,986.77	78,910,859.81	226,785,590.16
NEA Calamity Loan	19,675,446.00			19,675,446.00
Total Cash Inflows, PhP	91,968,189.58	75,581,986.77	78,910,859.81	246,461,036.16
Available Cash for Disbursement, PhP	143,386,174.26	87,415,028.22	94,815,340.84	297,879,020.84
CASH OUTFLOW				
CAPEX Amortization, PhP (Existing loan)	16,573,250.00	16,573,250.00	16,573,250.00	49,719,750.00
CAPEX Requirement, PhP (2010-12 Approved CAPEX)	91,576,883.25	30,525,627.75		122,102,511.00
CAPEX Amortization, PhP (2010-12 CAPEX Loan)	18,925,760.00	18,925,760.00	18,925,760.00	56,777,280.00
Amortization - NEA Calamity Loan	1,156,235.72	2,312,471.44	2,312,471.44	5,781,178.59
Amortization - Transco SubTransmission Assets	3,173,438.00	3,173,438.00	3,173,438.00	9,520,314.00
ERC Permit Fees, PhP	147,565.85			147,565.85
Total Cash Outflow, PhP	131,553,132.81	71,510,547.19	40,984,919.44	244,048,599.44
Cash Balance Ending, PhP, Excess/(Shortfall)	11,833,041.45	15,904,481.03	53,830,421.41	53,830,421.41

APPLICATION FOR AUTHORITY TO SECURE LOAN FROM NEA
WITH PRAYER FOR PROVISIONAL AUTHORITY

14. As stated above, funding for the subject project is being sourced through a Calamity Loan from the NEA hence, this application for authority to secure said loan. Considering further, the urgency of the funding requirement, the cooperative likewise seeks provisional authority from the Honorable Commission to immediately secure said loan from NEA to enable it to procure the replacement materials needed in its on-going CAPEX projects implementation as well as pay its suppliers for the other materials procured for the repair and restoration activities.

SUBMISSIONS

15. Finally, in support of the instant application, INEC is submitting herewith the following documents which are being made integral parts hereof, as follows:

Annex Markings	Nature of Document
A	Notice of Force Majeure Event
B	Executive Summary of the Force Majeure Event Capital Expenditure Project
C	Supporting documents for the application for authority to secure loan from NEA
D to D-1	Proof of furnishing copies of the Application to the Sangguniang Bayan of Dingras and the Sangguniang Panlalawigan of Ilocos Norte
E to E-2	Publication of the Application in a newspaper of general circulation within INEC's franchise area or where it principally operates, with Affidavit of Publication.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission, that:

1. Immediately upon filing and initial evaluation hereof, INEC be permitted to secure loan from the National Electrification Administration (NEA) to finance the subject project; and
2. after due notice and hearing, the repair, restoration, replacement and/or rehabilitation of substation equipment, distribution lines and transformers, service dropwires and metering facilities and communication infrastructure which

were ravaged by Typhoon Lawin on October 19, 2016, be confirmed and approved, and the cooperative's calamity loan secured from NEA to finance the subject project be authorized and approved accordingly.

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 **30 August 2017 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at INEC's Main Office in Suyo, Dingras, Ilocos Norte.**

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 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 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.

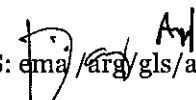
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All such persons who wish to have a copy of the Application may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies 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 Officer-In-Charge of ERC **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 18th day of July 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

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