

Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pasig City



IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF CAPITAL  
EXPENDITURE PROGRAM  
FOR THE YEARS 2015 TO  
2018, WITH PRAYER FOR  
PROVISIONAL AUTHORITY,

ERC Case No. 2016-018 RC

KALINGA APAYAO  
ELECTRIC COOPERATIVE,  
INC. (KAELCO),

*Applicant,*

X-----X

DOCKETED

Date: MAY 15 2017

By: *[Signature]*

**NOTICE OF PUBLIC HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that, on 14 March 2016, Kalinga Apayao Electric Cooperative, Inc. (KAELCO) filed the instant Application for confirmation and authority to implement its Capital Expenditure Program for Years 2015 to 2018.

In its Application, KAELCO alleged, among others, the following:

**THE APPLICANT**

1. KAELCO 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 offices at Callagdao, Bulanao, Tabuk City, Kalinga;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the City of Tabuk and the municipalities of Rizal,

Pinukpuk, Balbalan, Pasil, Tanudan, Tinglayan and Lubuagan, all in the province of Kalinga, as well as the municipalities of Conner, Calanasan and Kabugao, in the province of Apayao;

**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, KAELCO seeks approval, confirmation and authority from this Honorable Commission to implement its proposed capital expenditure program for Years 2015 to 2018.

**THE PROPOSED PROJECTS**

4. The proposed projects are presented below, as follows, to wit:

<b>No.</b>	<b>Proposed Projects</b>	<b>Project Type</b>	<b>Project Duration</b>	<b>Project Cost, PhP</b>
1.	Construction of double circuit and upgrading of 1-Ph to 3-Ph Distribution Line at Dagupan West, Tabuk City, Kalinga.	Capacity	2016	1,234,184.67
2.	Procurement of new Distribution Transformers	Capacity	2015 to 2018	12,654,450.50
3.	Procurement of new kWh Meters and service drop wires	Capacity	2015 to 2018	22,659,160.00
4.	Installation of Automatic Voltage Regulator and capacitors	Power Quality	2016	1,045,000.00
5.	Replacement of Rotten Wood Poles and crossarms into Steel Poles/Crossarms.	Safety	2015 to 2018	11,871,366.10
6.	Installation of Fault Circuit Indicator	Reliability	2016 to 2018	6,000,000.00
7.	Replacement of Defective and Providing Additional Capacity to Overloaded Distribution Transformers	System Loss Reduction	2015	3,800,564.30
8.	Installation of eight (8) units Vacuum Circuit Reclosers with single phase tripping	Safety	2016	7,520,000.00
9.	Relocation of 3-Phase Distribution Line at the Old Pasunglao Bridge at Calanan, Tabuk City	Other Network Project	2016	573,251.51
10.	Replacement of old/defective kWh meters	System Loss Reduction	2015 to 2018	7,634,350.00

No.	Proposed Projects	Project Type	Project Duration	Project Cost, PhP
11.	Computerization Projects	Non-Network project	2015 to 2016	7,400,000.00
12.	Procurement of Read and Bill gadgets and Line Printers	Non-Network project	2016 to 2017	4,680,000.00
13.	Construction of Multi-Purpose Hall; Concreting of the Main Office ground and access road towards motorpool, substation and warehouse; and Improvement of Sub-Offices	Non-Network project	2016	8,050,912.00
14.	Procurement of vehicles and rehabilitation of the Telelec/Terex	Non-Network project	2016 to 2017	20,000,000.00
15.	Procurement of Tools and Testing Equipments	Non-Network project	2015 to 2018	8,238,025.17
16.	Procurement of Line Materials for Buffer Stocks	Non-Network project	2015 to 2018	15,192,528.00
<b>Grand Total</b>				<b>138,553,792.25</b>

### **CAPITAL EXPENDITURE PLAN**

5. KAELCO's Capital Expenditure (CAPEX) Plan for the period 2015-2018 is discussed in detail in its Executive Summary, with technical and financial analysis and supporting data presented in ERC-prescribed templates;

### **FINANCIAL AND ECONOMIC EVALUATION**

6. Financing Plan. KAELCO's proposed projects will be financed partly through its Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and partly through loans from financial institutions. Loan amortizations will be paid out of the cooperative's collections of RFSC. The Table below presents CAPEX plan financiers to be pursued and the corresponding costs to be financed.

### **PROPOSED FINANCIERS AND CORRESPONDING DESIRED BORROWINGS**

Source of Funds	Project Costs to be Financed (PhP)	Annual Project Cost (PhP)			
		2015	2016	2017	2018
Internal Financing (RFSC)	8,853,007	8,853,007			

Land Bank of the Phils. (LBP)	64,850,392	7,517,638	30,060,293	16,041,225	11,231,235
Dev't Bank of the Phils. (DBP)	64,850,392	7,517,638	30,060,293	16,041,225	11,231,235

7. Cash Flow. KAELCO's cash flow shows that it can viably pursue and implement the proposed CAPEX Plan and will determine the sufficiency of its RFSC Rate. The Table below presents the Projected Annual Cash Flow, to wit:

**SUMMARY OF ANNUAL CASH FLOW COST OF CAPEX PLAN**

	Total(PhP )	FINANCIAL REQUIREMENTS (PhP)			
		2015	2016	2017	2018
LBP	64,850,392	7,517,638	30,060,293	16,041,225	11,231,235
DBP	64,850,392	7,517,638	30,060,293	16,041,225	11,231,235
Internal Financing (RFSC)	8,853,007	8,853,007			
CAPEX Permit Fee	1,385,537	1,385,537			
Total CAPEX Plan Cost to	139,939,328	25,273,820	60,120,586	32,082,450	22,462,470

8. Further, KAELCO also considered in the whole capital expenditure structure previous indebtedness incurred in financing past capital expenditure projects outstanding as of 2014, such that including the amortization of said indebtedness will have the cash flow as shown in the Table below, as follows:

**SUMMARY OF CASH FLOW COST OF CAPEX PLAN INCLUDING AMORTIZATION OF PAST INDEBTEDNESS**

	2015 (PhP)	2016 (PhP)	2017 (PhP)	2018 (PhP)	TOTAL fPhP)
Revenue from RFSC	14,568,771	16,152,704	17,854,772	19,660,600	68,236,847
CAPEX Plan Internal Financing (RFSC)	8,853,008				8,853,008
CAPEX Plan Amortization	2,569,934	11,376,786	15,436,035	17,740,329	47,123,084
CAPEX Permit Fee	1,385,538				1,385,538
Sub-Total CAPEX Plan Cost	12,808,480	11,376,786	15,436,035	17,740,329	57,361,630
Previous Loan Amortization	5,288,724	5,288,724	5,288,724	5,288,724	21,154,896
Total CAPEX Plan Cost	18,097,204	16,665,510	20,724,759	23,029,053	78,516,526
Net Cash Flow	(3,528,433)	(512,806)	(2,869,987)	(3,368,453)	(10,279,679)

9. Rate Impact Analysis. The CAPEX Plan was envisioned to bring the most value to consumers at the most reasonable and justifiable electricity rates, such that implementation of the proposed projects will have a reasonable rate impact of PhPo.0802, per kWh, as shown in the Table below, to wit:

**EXCERPTS FROM CASH FLOW ANALYSIS  
 SHOWING THE RATE IMPACT IN TERMS OF  
 RATE PER KWH**

	<b>2015 (PhP)</b>	<b>2016 (PhP)</b>	<b>2017 (PhP)</b>	<b>2018 (PhP)</b>	<b>TOTAL (PhP)</b>
kWh Sales Forecast	27,364,333	30,339,413	33,536,386	36,928,250	128,168,382
Current RFSC Rate per kWh	0.5324	0.5324	0.5324	0.5324	0.5324
Annual Revenue Cash Flow from RFSC Rate	14,568,771	16,152,704	17,854,772	19,660,600	68,236,847
CAPEX Plan Cost Cash Flow	18,097,204	16,665,510	20,724,759	23,029,053	78,516,526
Indicative Additional Revenue Requirement	3,528,433	512,806	2,869,987	3,368,453	10,279,679
Current RFSC Rate per kWh	0.5324	0.5324	0.5324	0.5324	0.5324
CAPEX Plan Cost Cash Flow Indicative Rate per kWh	0.6613	0.5493	0.6180	0.6236	0.6126
Adjusted RFSC Rate per kWh	0.1289	0.0169	0.0856	0.0912	0.0802

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

10. Applicant repleads the foregoing allegations as may be material herein;
11. As shown in the table of proposed projects, some of the projects may require implementation while the instant application is pending evaluation of the Honorable Commission;
12. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
13. In view thereof, applicant respectfully moves for issuance of a provisional authority while the case is pending, to implement said projects as may be

deemed necessary and urgent under prevailing circumstances, to enable the cooperative to deliver a safe, more reliable and efficient electric service to its consumers.

### DOCUMENTARY AND PRE-FILING REQUIREMENTS

14. Finally, in compliance with the documentary as well as pre-filing requirements for the instant application, applicant is likewise submitting herewith the following documents, to wit:

<i>Annex A</i>	Executive Summary of Capital Expenditure Plan for 2015 - 2018, presented in ERG-prescribed templates
<i>Annexes B to B-1</i>	Affidavit of Posting with Notice to Consumers
<i>Annex C</i>	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
<i>Annex D</i>	Judicial Affidavit in Support of the Prayer for Provisional Authority
<i>Annexes E to E-1</i>	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Tabuk City and Sangguniang Panlalawigan of Kalinga
<i>Annexes F and series</i>	Publication of the Application in a newspaper of general circulation within KAELCO's franchise area or where it principally operates, with Affidavit of Publication

### PAYER

**WHEREFORE**, premises considered, KAELCO respectfully prays of this Honorable Commission that:

1. During the pendency of the *instant* application, a provisional authority be issued permitting KAELCO to implement the proposed projects as any of these becomes urgently necessary under prevailing circumstances;
2. After due notice and hearing, the cooperative's Capital Expenditure Program for 2015 to 2018 be granted accordingly.

Finding the said Application to be sufficient in substance, with the required fees having been paid, pursuant to Section 4, Rule 13 of the Commission's 2006 Rules of Practice and Procedure (2006 RPP), the same is hereby set for determination of compliance with the

jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **28 June 2017 (Wednesday) at ten o'clock in the Morning (10:00 A.M.), at KAELCO's principal office at Bulanao - Paracelis Road, Tabuk, Kalinga.**

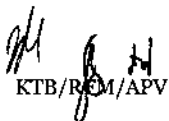
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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 Applicants conclude the presentation of their 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 Applicants, prior to the date of the initial hearing, that they be furnished with a copy of the Application. The Applicants are 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 Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 10<sup>th</sup> day of May 2017 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner

  
KTB/REM/APV