

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 THE YEARS 2015 TO 2017, WITH APPLICATION FOR AUTHORITY TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND PRAYER FOR PROVISIONAL AUTHORITY**

**ERC CASE NO. 2016-130 RC**

**CAMARINES NORTE  
ELECTRIC COOPERATIVE,  
INC. (CANORECO),  
Applicant.**

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**DOCKETED**  
Date: **SEP 27 2016**  
By: \_\_\_\_\_

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 5 May 2016, Camarines Norte Electric Cooperative, Inc. (CANORECO) filed with the Commission an Application dated 8 April 2016 (Application) for the approval of its capital expenditure program for the years 2015 to 2017, with application for authority to secure loan from the National Electrification Administration (NEA) and prayer for provisional authority.

In the said Application, CANORECO alleged the following:

1. CANORECO is an electric cooperative duly organized and existing under and by virtue of Presidential Decree No. 29

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(PD 269) and other laws of the Republic of the Philippines, with principal office at J.P. Rizal St. Barangay 1, Daet, Camarines Norte;

- CANORECO holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in all the municipalities of the Province of Camarines Norte, namely: Basud, Capalonga, Daet Jose Panganiban, Labo, Mercedes, Paracale, San Lorenzo Ruiz, San Vicente, Sta. Elena Talisay and Vinzons;

**LEGAL BASIS FOR THE APPLICATION**

- 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, CANORECO seeks approval, confirmation and authority from this Commission to implement its proposed Capital Expenditure Program for Years 2015 to 2017;

**THE PROPOSED PROJECTS**

- The proposed projects are presented as follows:

<b>NETWORK PROJECTS</b>					
<b>NO.</b>	<b>PROJECT TITLE</b>	<b>ESTIMATED COST</b>			<b>TOTAL ESTIMATED COST (2015-2017)</b>
		<b>2015</b>	<b>2016</b>	<b>2017</b>	
1	Uprating of Lag-on Substation from 10 MVA to 20 MVA Substation		20,000,000.00		20,000,000.00
2	Modification of 69 KV Sub-transmission lines from 4/o ACSR to 336.4 ACSR conductor (1.8KM)		1,500,000.00		1,500,000.00
3	Installation of Circuit Breaker for Two Feeders of 10 MVA Calintaan Substation		3,600,000.00		3,600,000.00
4	New Customer Requirements	5,372,370.00	8,989,631.60	9,147,107.00	23,509,108.60
5	Primary Line Expansion		8,486,706.60	8,238,714.05	16,725,420.65
6	Secondary Line Expansion		9,191,760.65	9,442,852.08	18,634,612.73
7	Additional Distribution Transformer	12,245,550.00	8,937,612.78	8,773,619.89	29,956,782.67

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8	Separation of Load and Rehabilitation of lines at Calintaan 10 MVA Substation			15,753,244.29	15,753,244.29
9	Rehabilitation of Lines at Mining Sites at Jose Panganiban, CN			5,073,407.46	5,073,407.46
10	Installation of Three Phase Automatic Circuit Recloser at strategic locations of selected Feeders		7,200,000.00		7,200,000.00
11	SCADA		5,500,000.00	5,500,000.00	11,000,000.00
12	Conversion of line from V-Phase to Three Phase line and rehabilitation of lines, Pob. Basud to Lanot Mercedes		8,969,782.10		8,969,782.10
13	Retirement of Dilapidated Poles and Main Conductor Lines of Tawig and Sta. Rosa Substations coverage		18,738,386.17		18,738,386.17
14	Retirement of Dilapidated Poles and Main Lines of Talobatib Substation coverage		27,361,201.81	27,361,201.81	54,722,403.62
15	Retirement of dilapidated poles and main lines of Lag-on and Calintaan 5 substations coverage			18,937,138.73	18,937,138.73
16	Upgrading of Sta. Rosa Substation/Transfer of 10 MVA Power Transformer from Lag-on Substation (5 MVA to 10 MVA )			3,502,845.00	3,502,845.00
<b>TOTAL</b>		<b>17,617,920.00</b>	<b>128,475,081.71</b>	<b>111,730,130.31</b>	<b>257,823,132.02</b>

<b>NON-NETWORK PROJECTS</b>					<b>TOTAL ESTIMATED COST</b>
<b>NO.</b>	<b>PROJECT TITLE</b>	<b>ESTIMATED COST</b>			
		<b>2015</b>	<b>2016</b>	<b>2017</b>	
1	On-line Billing Collection for Service Centers, warehouse and follow-up collection center per town		6,000,000.00		6,000,000.00
2	18 Units Read & Bill Gadget with Bluetooth		1,350,000.00	1,350,000.00	2,700,000.00
3	Acquisition of Engineering Equipment			900,000.00	900,000.00
4	Acquisition of Lot and Construction of Sub-office building for Labo Area		3,000,000.00		3,000,000.00
5	Acquisition of Lot and Construction of Sub-office building for Sta. Elena Area		2,500,000.00		2,500,000.00

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6	Acquisition of Lot and Construction of Sub-office building for Jose Panganiban Area		3,000,000.00		3,000,000.00
7	Acquisition of Lot and Construction of Sub-office building for Paracale Area		2,500,000.00		2,500,000.00
8	Acquisition of Lot and Construction of Sub-office building for Capalonga Area			2,000,000.00	2,000,000.00
9	Construction of Sub-office building for Bagong Silang Area			1,200,000.00	1,200,000.00
10	1unit Crane, 20 Tonner Capacity		5,000,000.00		5,000,000.00
11	1 unit Maintenance/Utility Truck with Boom Heavy Duty (For Construction)		2,500,000.00		2,500,000.00
12	5 units Service Vehicle (For Maintenance, Eng'g, Finance, ISD and OGM Department)		3,700,000.00	1,750,000.00	5,450,000.00
13	1 unit Maintenance/Utility Truck with Boom(For Maintenance/Area)		2,000,000.00		2,000,000.00
14	2 units Maintenance/Utility Truck with Boom (For Maintenance/Area)			4,000,000.00	4,000,000.00
15	Live-Line Maintenance Equipment Set and Safety Apparel		2,900,000.00		2,900,000.00
16	GIS/GPS software			1,000,000.00	1,000,000.00
17	Reliability software			1,000,000.00	1,000,000.00
18	Short Circuit Software			1,000,000.00	1,000,000.00
19	Metering software		500,000.00		500,000.00
20	Procurement of Computers and Accessories		250,000.00	125,000.00	375,000.00
21	Computerization and Automation of ISD and Upgrading of Billing and Accounting System		3,000,000.00		3,000,000.00
<b>TOTAL</b>		-	<b>38,200,000.00</b>	<b>14,325,000.00</b>	<b>52,525,000.00</b>

<b>CAPEX NETWORK PROJECTS</b>	<b>257,823,132.02</b>
<b>CAPEX NON-NETWORK PROJECTS</b>	<b>52,525,000.00</b>
<b>GRAND TOTAL (PHP)</b>	<b>310,348,132.02</b>

5. The proposed projects together with justifications are discussed in detail in CANORECO's Capital Expenditure Plan (CAPEX) and Distribution Development Plan (DDP) for the years 2015 to 2017 together with supporting data presented in ERC-specified templates;

**FINANCIAL AND ECONOMIC EVALUATION**

6. **Financing Plan.** The capital projects will be financed through CANORECO's Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and other funds to be acquired through loans from the National Electrification Administration (NEA). The table below summarizes the CAPEX plan financiers to be pursued and the corresponding costs to be financed (with moderate CAPEX project cost inflation factor of 3%);

**6.1 PROPOSED FINANCIERS AND CORRESPONDING COST TO BE FINANCED**

DESIRED FINANCIERS	Total Cost			
	to Finance	2015	2016	2017
National Electrification Administration	213,386,669	-	113,864,272	99,522,396
Coop-Direct Capex Rate Financing	109,638,473	17,617,920	57,811,062	34,209,492
<b>Total Cost to Finance</b>	<b>323,025,142</b>	<b>17,617,920</b>	<b>171,675,334</b>	<b>133,731,888</b>

7. **Cash Flow.** CANORECO's cashflow 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 Cost:

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

ACCOUNT ITEM	Proposed Project Time-line			Total
	2015	2016	2017	
Nationa Electrification Adminsitration	-	113,864,272	99,522,396	213,386,669
Coop-Direct Capex Rate Financing	17,617,920	57,811,062	34,209,492	109,638,473
<b>Annual Cash Flow</b>	<b>17,617,920</b>	<b>171,675,334</b>	<b>133,731,888</b>	<b>323,025,142</b>
ERC Approvala Fee	132,134	1,250,063	945,413	2,327,611
<b>Total</b>	<b>17,750,054</b>	<b>172,925,397</b>	<b>134,677,301</b>	<b>325,352,753</b>

8. Further, CANORECO 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:

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

particulars	2015	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales,kwh	134,741,000	142,049,000	149,446,000	158,792,000	167,099,000	175,381,000	927,508,000
Cash balance beginning,Php,excess/((shortfall)	(496,914)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	(26,618,462)
<b>CASH INFLOWS</b>							
Current year Collection@Php ,4268/kwh	44,046,833	60,626,513	63,783,553	67,772,426	71,317,853	74,852,611	382,399,789
Loan proceeds from NEA,Php		113,864,272	99,522,396	-	-	-	213,386,669
Government subsidy (if any,)PHp							-
50% of income on leased properties							-
Available cash for disbursement	43,549,918	168,241,058	129,680,824	31,015,864	74,094,657	122,585,674	569,167,995
<b>CASH OUTFLOWS</b>							
CAPEX Requirements	17,617,920	171,675,334	133,731,888	-	-	-	323,025,142
Old Debt (old amortization)	21,209,002	15,227,308	10,579,393	7,456,016	6,479,338	3,040,050	63,991,107
new amortization (new CAPEX),Php	10,840,590	13,713,477	21,180,692	20,783,045	19,882,255	19,335,145	105,735,203
ERC Permit Fee,Php	132,134	1,250,063	945,413	-	-	-	2,327,611
Total Cash Outflows, Php	49,799,647	201,866,182	166,437,386	28,239,061	26,361,593	22,375,195	495,079,063
Cash balance ending, Php, excess/(shortfall)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	100,210,480	74,088,933

**9. Rate Impact.** The CAPEX Plan is envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the most value to the consumers, the most reasonable and justifiable electricity rate or at the least cost of service. The table below presents the annual rate impact of the CAPEX Plan on CANORECO's RFSC:

**9.1 CAPEX Plan Annual Cash Flow and Indicative Rates**

particulars	2015	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales,kwh	134,741,000	142,049,000	149,446,000	158,792,000	167,099,000	175,381,000	927,508,000
Cash balance beginning,Php,excess/((shortfall)	(496,914)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	(26,618,462)
<b>CASH INFLOWS</b>							
Current year Collection@Php ,4268/kwh	44,046,833	60,626,513	63,783,553	67,772,426	71,317,853	74,852,611	382,399,789
Loan proceeds from NEA,Php		113,864,272	99,522,396	-	-	-	213,386,669
Government subsidy (if any,)PHp							-
50% of income on leased properties							-
Available cash for disbursement	43,549,918	168,241,058	129,680,824	31,015,864	74,094,657	122,585,674	569,167,995
<b>CASH OUTFLOWS</b>							
CAPEX Requirements	17,617,920	171,675,334	133,731,888	-	-	-	323,025,142
Old Debt (old amortization)	21,209,002	15,227,308	10,579,393	7,456,016	6,479,338	3,040,050	63,991,107
new amortization (new CAPEX),Php	10,840,590	13,713,477	21,180,692	20,783,045	19,882,255	19,335,145	105,735,203
ERC Permit Fee,Php	132,134	1,250,063	945,413	-	-	-	2,327,611
Total Cash Outflows, Php	49,799,647	201,866,182	166,437,386	28,239,061	26,361,593	22,375,195	495,079,063
Cash balance ending, Php, excess/(shortfall)	(6,249,728)	(33,625,124)	(36,756,561)	2,776,803	47,733,063	100,210,480	74,088,933
Excess/(shortfall) on RFSC, Php/kwh	(0.04638)	(0.23671)	(0.24595)	0.01749	0.28566	0.57139	0.07988

10. As shown above, most of the proposed projects shall be financed through loans from NEA considering that CANORECO's RFSC will not suffice to finance the proposed projects as planned. In view thereof, CANORECO hereby applies for authority from the Commission to secure said loan.

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

11. CANORECO repleads the foregoing allegations as may be material herein;
12. As shown in the table of proposed projects, some of the projects may require implementation while the Application is pending evaluation of the Commission;
13. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
14. In view thereof, CANORECO 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 CANORECO to deliver a safe, more reliable and efficient electric service to its consumers;

**DOCUMENTARY AND PRE-FILING REQUIREMENTS**

15. Finally, in compliance with the documentary as well as pre-filing requirements for the Application, CANORECO is likewise submitting the following documents which are attached to the Application:

	<b>Nature of Document</b>
<i>Annex A</i>	CAPEX Plan and Distribution Development Plan for 2015 to 2017, with technical and financial analysis and supporting data presented in ERC-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>	Supporting documents for the Application for authority to secure loan from NEA
<i>Annex E</i>	Judicial Affidavit in Support of the Prayer for Provisional Authority
<i>Annexes F to F-1</i>	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Daet and Sangguniang Panlalawigan of Camarines Norte
<i>Annexes G to G-2</i>	Publication of the Application in a newspaper of general circulation within CANORECO's franchise area or where it principally operates, with Affidavit of Publication

16. CANORECO respectfully prays of this Commission that upon initial review of the Application and pending evaluation thereof, a provisional authority be issued to implement said projects and to secure loans to finance the same, and that after trial, the Application for Approval of CANORECO's Capital Expenditure Program for the period 2015 to 2017 and for the Authority to Secure Loan be granted accordingly.

The Commission has set the Application for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on **17 November 2016 (Thursday) at nine o'clock in the morning (9:00 A.M.) at the CANORECO's Main Office, J.P. Rizal Street, Barangay 1, Daet, Camarines 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 wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The 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 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 19<sup>th</sup> day of September, 2016 at Pasig City.

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