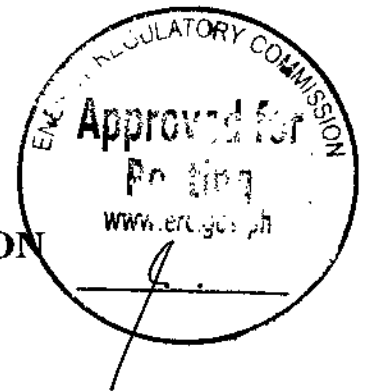


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE APPLICATION FOR APPROVAL OF FORCE MAJEURE CAPEX PROJECT: (REHABILITATION OF DISTRIBUTION LINES DUE TO DAMAGE CAUSED BY NATURAL CALAMITY-TYPHOON LANDO), WITH AUTHORITY TO SECURE LOANS FROM NEA AND PRAYER FOR PROVISIONAL AUTHORITY,

ERC CASE NO. 2016-188 RC

AURORA ELECTRIC COOPERATIVE, INC. (AURELCO), Applicant.
X-----X

DOCKETED
Date: **FEB 10 2017**
By: *[Signature]*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 19 November 2016, Aurora Electric Cooperative, Inc. (AURELCO) filed an Application seeking the Commission's approval of its force majeure capital expenditure project: (Rehabilitation of Distribution Lines Due to Damage Caused by Natural Calamity-Typhoon Lando), with authority to secure loans from the National Electrification Administration (NEA) and prayer for the issuance of provisional authority .

AURELCO alleged the following in its Application:

1. It is a non-stock non-profit electric cooperative organized and existing under and by virtue of the provisions of P. D. 269 as amended by P.D. 1645, with principal office address located at Brgy. Reserva, Baler, Aurora, represented herein by its General Manager, ENGR. NOEL DV. VEDAD;
2. It, being an Electric Cooperative, has been granted by the National Electrification Administration (NEA) a 50-year

franchise to distribute electric service to its member-consumers in the Municipalities of Baler, Casiguran, Dinalungan, Dipaculao, Maria Aurora, San Luis, Dilasag, Dingalan all in the province of Aurora, Dinapigue in the province of Isabela, Brgy. Umiray, General Nakar, Quezon province and Castañeda in the province of Nueva Vizcaya;

3. That in accordance with its mandate to render reliable, adequate and efficient electric service to all its member-consumers on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of the Force Majeure Network Assets Capital Project: Rehabilitation of its distribution lines located at the Municipalities of Baler, San Luis, Maria Aurora, Dipaculao, Dingalan, Dinalungan, Casiguran, Dilasag in the province of Aurora and the municipality of Dinapigue in the province of Isabela and Castañeda, province of Nueva Vizcaya, Umiray province of Quezon which were severely damaged by natural calamity (Typhoon Lando sometime in October 17-18, 2016);
4. That likewise, pursuant to ERC Resolution No. 26 Series of 2009 and in accordance with Section 3.3 Article III of the Amended Rules for the Approval of Regulated Entities Capital Expenditures Projects; and in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, herein applicant seeks the authority from this Hon. Commission for the approval of this Force Majeure Capital Project for the repairs and rehabilitation of the damages on this distribution system of AURELCO caused by Typhoon Lando:
5. That the Aurora Province was hit by Typhoon Lando which caused severe damaged to the household, infrastructure, livelihood and the distribution lines of AURELCO;
6. That due to the massive rehabilitation and the distance of the affected area coverage from the main office, coupled with the urgent call of the residents and the local governments of the affected municipalities, herein applicant was constrained to immediately rehabilitate the almost completely damaged distribution lines and sub-offices located in the affected municipalities which actually took several months;
7. That in view of this force majeure the management of the cooperative and with the approval of the Board of Directors have decided to file this emergency CAPEX due to force majeure (Typhoon Lando) only after several months from the completion of the rehabilitation of all the affected distribution system in the affected franchise areas of the cooperative;
8. That likewise due to lack of funds, herein applicant was constrained to secure an emergency loan from the National Electrification Administration (NEA) in the amount of TWENTY FOUR MILLION FIVE HUNDRED THOUSAND PESOS (PhP24,500,000.00) to be able to make emergency

purchases of materials for the said rehabilitation projects of its damaged distribution lines in the affected areas;

9. That in compliance with the guidelines and documentary requirements of this Honorable Commission, applicant herein hereby submits the following document, as follows:

**REHABILITATION OF DISTRIBUTION LINES DAMAGED BY
TYHPOON LANDO**

I- Background

II- The proposed project

1. Title of the Project
2. Type of the Project
3. Category of the Project
4. Description of the Project
5. Project Justification
6. Actual Cost of the Project
7. Economic Analysis
8. Annexes
9. Project Financing Plan
10. Board Resolution
11. Sworn Statements
12. Proof of Posting
13. Approval to secure loan from NEA
14. Verification/Certification

10. That the rehab of lines due to Force Majeure (Typhoon Lando) will cost herein applicant the amount of PhP24,803,768.81;

11. That as a result of the said project, the cooperative has calculated the indicative rate impact as follows:

PARTICULARS	Approved Capex	2016	2017	2018	2019	Total
NEA LOANS - OLD	73,521,249.00	73,521,249.00	73,521,249.00	73,521,249.00	73,521,249.00	294,084,996.00
NEA LOANS-Force Majeure (Typhoon Lando)		24,803,769.00	24,803,769.00	24,803,769.00	24,803,769.00	99,215,076.00
NEA LOANS - UNPLANNED CAPEX(Covered Court ;DICADI lot and office building)		6,327,082.86	6,327,082.86	6,327,082.86	6,327,082.86	25,308,331.44
Replenishment from General Fund (Typhoon Labuyo)		2,768,409.00	2,768,409.00	2,768,409.00	2,768,409.00	11,073,636.00
Replenishment from General Fund (Covered Court)		155,200.87				155,200.87
TOTAL	73,521,249.00	107,575,710.73	107,420,509.86	107,420,509.86	107,420,509.86	429,837,240.31
a) Amortization for 15 years @ 9% int. rate		7,688,324.00	7,688,324.00	7,688,324.00	7,688,324.00	30,753,296

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b) Amortization (Old CAPEX)		12,178,237.00	12,178,237.00	12,178,237.00	12,178,237.00	48,712,948.00
c) Payable (materials and hardwares from reinvestment fund)		10,749,485.00	22,248,535.00	18,550,054.00	19,832,912.00	71,380,986.00
d) Amortization (new loan - unplanned CAPEX)		3,564,889.00	827,763.00	827,763.00	827,763.00	6,048,178.00
e) Amortization -- Force Majeure		3,429,385.44	3,429,385.44	3,429,385.44	3,429,385.44	13,717,541.77
f) Permit fees new CAPEX		255,408.46				255,408.46
g) Amortization of additional loan (replenishment from GF)		529,020.00	529,020.00	529,020.00	529,020.00	2,116,080.00
Total		38,394,748.91	46,901,264.44	43,202,783.44	44,485,641.44	172,984,438.23
Projected Energy Sales		37,224,018.00	41,749,105.00	46,331,554.00	50,924,178.00	176,228,855.00
Annual MCC @ 0.5324 / kwhr		19,818,067.18	22,227,223.50	24,666,919.35	27,112,032.37	93,824,242.40
Previous excess RF/MCC		15,616,157.16	15,616,157.16	15,616,157.16	15,616,157.16	62,464,628.64
50% Revenue from leased property		124,965.00	124,965.00	124,965.00	124,965.00	499,860.00
Total Available CAPEX fund		35,559,189.34	37,968,345.66	40,408,041.51	42,853,154.53	156,788,731.04
Excess (shortfall) on MCC if 15 yrs of payment		(2,835,559.56)	(8,932,918.78)	(2,794,741.93)	(1,632,486.92)	(16,195,707.19)
Excess (shortfall) on MCC if 15 yrs term of payment		(0.07618)	(0.21397)	(0.06032)	(0.03206)	(0.09190)

12. That due to the urgent nature of the said project, herein applicant has to immediately purchase the needed materials in order not to jeopardize the restoration of service and operation of the cooperative to its member-consumers in the typhoon-affected areas;

13. That in support of this application and in compliance with the guidelines and documentary requirements of this Honorable Commission, applicant herein hereby submits the following documents, as follows:

- a. Board Resolution No. 82-2015- requesting emergency loan from NEA in the amount of PhP24,500,000.00;
- b. Board Resolution No. 83-2013- approval of emergency procurement of various materials and conducted a negotiation through accredited suppliers who will provide a very low price in favor of the coop in the amount of PhP24,375,639.12 or PhP24,500,000.00 as per NEA approval; and

- c. Total cost of materials and equipment caused by Typhoon Lando.
14. That in support of this application, it has likewise submitted the following documents, as follows:
 - a. Annex "A" – NPV, IRR and B/C Ratio Analysis and Impact/Effect on Rate Base for Rehabilitation of line by Typhoon Lando;
 - b. Annex "A-1" – Amortization Schedule; and
 - c. Annex "A-2" – Pictures of Damaged Electrical Lines.

**ALLEGATIONS IN SUPPORT OF THE REQUEST
FOR PROVISIONAL AUTHORITY:**

15. That due to the urgent nature of this project, herein applicant likewise requests immediate approval of this Force Majeure-CAPEX Project in the affected municipalities within the area-coverage of applicant in order to render adequate and efficient service to its affected member-consumers;
16. That herein applicant will initially undertake to finance the said project from its internally generated funds and will immediately apply for loans from the National Electrification Administration (NEA) to replace said funds in order to be able to replenish the funds for other equally important projects;
17. This application is definitely intended to allow AURELCO to render a more reliable, adequate and efficient electric service in compliance to its mandate of total electrification on an area coverage basis;
18. That as such, herein applicant requests the approval of the Force majeure-CAPEX Project for the benefit of its member-consumers.

P R A Y E R

WHEREFORE, IN VIEW OF ALL THE FOREGOING, it is most respectfully prayed of this Honorable Commission that an Order be issued:

1. Granting immediately the Provisional Authority/approval for this Force Majeure-CAPEX Project which is the rehabilitation of its damaged distribution lines due to typhoon Lando;
2. And allowing the cooperative-applicant herein to proceed immediately with the construction of the said Force Majeure-CAPEX projects due to Typhoon Lando; and

3. Granting of Provisional Authority/Approval for this Force Majeure CAPEX Project to secure emergency loan from National Electrification Administration (NEA).

Other relief/s just and equitable in the premises are likewise prayed for under the premises.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **9 March 2017 at ten o'clock in the morning (10:00 A.M.), at AURELCO's principal office at Brgy. Reserva, Baler, Aurora.**

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.

All such persons who wish to have a copy of the Application may request from Applicant that it 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 Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONI MO D. STA. ANA**, **Energy Regulatory Commission**, this 30th day of January 2017 in Pasig City.


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


LS/SLAN/KTB/REM/APV