

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF PROPOSED  
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. 2017-028 RC**

**ILOILO III ELECTRIC  
COOPERATIVE, INC. (ILECO  
III),**

**Applicant.**

**X-----X**

**D O C K E T E D**  
Date: SEP 04 2017  
By: [Signature]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 06 April 2017, Iloilo III Electric Cooperative, Inc. (ILECO III), filed an *Application* for approval of its proposed capital expenditure program for 2015 to 2017, with application for authority to secure loan from the National Electrification Administration (NEA), with prayer for provisional authority.

ILECO III alleged the following in its *Application*:

**THE APPLICANT**

1. ILECO III is a non-stock, non-profit electric cooperative duly organized and existing under and by virtue of Philippines laws, with principal office at Brgy. Preciosa, Sara, Iloilo;
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in certain municipalities of the province of Iloilo, namely: Ajuy, Anilao, Balasan, Banate, Barotac Viejo, Batad, Carles, Concepcion, Estancia, Lemery, San Dionisio, San Rafael and Sara.

**LEGAL BASES 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, ILECO III seeks approval, confirmation and authority from this Honorable Commission to implement its proposed capital expenditure program for Years 2015 to 2017.
- [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 requires every public service to secure approval and authorization from the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof.

**THE PROPOSED PROJECTS**

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

<b><u>NETWORK CAPITAL PROJECTS</u></b>				
<b>PROJECT CATEGORY</b>	<b>PROJECT TYPE</b>	<b>PROJECT DESCRIPTION</b>	<b>YEAR OF IMPLEMENTATION</b>	<b>TOTAL (PhP)</b>
Other Network Requirements	Capacity	Add - ons for new consumers	2015 - 2017	38,382,283
Primary Distribution Project	Safety & Reliability	Replacement of dilapidated 13.2 kV protection of Natividad & Pani-an Substations	2016 - 2017	7,000,000
Other Network Requirements	System Loss	Replacement of old/defective kWh meters	2015 - 2017	12,851,200

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Other Network Requirements	Capacity & Power Quality	Uprating of overloaded transformers	2016	4,080,550
Substation Project	Safety & Reliability	Procurement of disconnect switch for 5 MVA Substation in Daan Banwa, Estancia	2017	1,500,000
<b>SUBTOTAL</b>				<b>63,814,033</b>
<b>NON - NETWORK CAPITAL PROJECTS</b>				
<b>NON - NETWORK ASSET</b>	<b>PROJECT DESCRIPTION</b>	<b>YEAR OF IMPLEMENTATION</b>	<b>TOTAL (PhP)</b>	
Office Equipment, Furniture & Fixtures	Procurement of office equipment, furniture & fixtures	2015 - 2017	3,379,270	
Communication Plant & Equipment	Upgrade of hand-held radios, phones, other communication facilities and installation of PABX system	2016 - 2017	2,296,000	
Information Systems Equipment	Upgrade of Information Systems Equipment	2015 - 2017	11,019,442	
Miscellaneous Equipment	Procurement of meter reading gadgets and devices	2015 - 2017	1,120,138	
Testing Equipment	Procurement of testing instruments	2017	600,000	
Safety Gadgets & Linemen Tools	Procurement of safety gadgets and linemen tools	2015 - 2017	2,738,289	
Structures & Improvements	Construction of additional structures and renovation of existing buildings	2015 - 2017	21,222,954	
Transportation Equipment	Procurement of utility vehicle	2015 - 2017	13,105,000	
<b>SUBTOTAL</b>				<b>55,481,093</b>
<b>GRANDTOTAL</b>				<b>119,295,126</b>

**CAPITAL EXPENDITURE PLAN**

5. ILECO III's Capital Expenditure (CAPEX) Plan for the period 2015 - 2017 is discussed in detail in its Distribution Development Plan for 2015-2017, with technical and financial analysis and supporting data presented in ERC-prescribed templates;

**FINANCIAL AND ECONOMIC EVALUATION**

6. **Financing Plan.** ILECO III's proposed projects will be financed partly through its collections of Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and partly through a loan from the National Electrification Administration (NEA). The CAPEX Plan financiers to be pursued and the corresponding costs to be financed are presented in the Table below.

**PROPOSED FINANCIERS AND CORRESPONDING DESIRED BORROWINGS**

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED (PhP)	2015 (PhP)	2016 (PhP)	2017 (PhP)	TOTAL (PhP)
NEA	35,249,306			35,249,306	35,249,306
RFSC	84,045,820	13,995,315	31,880,037	38,170,468	84,045,820
<b>TOTAL COST TO FINANCE</b>	<b>119,295,126</b>	<b>13,995,315</b>	<b>31,880,037</b>	<b>73,419,774</b>	<b>119,295,126</b>

7. **Annual CAPEX Plan Costs.** The following table shows the annual CAPEX Plan costs including the permit fee for the projects:

**SUMMARY OF ANNUAL CAPEX PLAN COST**

PARTICULARS	2015 (PhP)	2016 (PhP)	2017 (PhP)	TOTAL (PhP)
RFSC	13,995,315	31,880,037	38,170,468	84,045,820
NEA	0	0	35,249,306	35,249,306
CAPEX Permit Fee	104,965	239,100	550,648	894,713
<b>Total CAPEX Plan Cost to Consumers</b>	<b>14,100,280</b>	<b>32,119,137</b>	<b>73,970,422</b>	<b>120,189,839</b>

8. **Cash Flow.** ILECO III's cash flow shows that it can viably pursue and implement the proposed CAPEX Plan and will determine the sufficiency of its RFSC Rate. ILECO III also considered in the whole capital expenditure structure previous indebtedness incurred in financing past capital expenditure projects outstanding as of 2014, including the amortization of said indebtedness. The Table below shows the projected cash flow starting only in Year 2016 and reflects the actual beginning balance of the RFSC for the said year.

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

<b>PARTICULARS</b>	<b>2016 (PhP)</b>	<b>2017 (PhP)</b>	<b>TOTAL (PhP)</b>
Forecasted energy sales, kWh	77,428,345	90,216,185	167,644,530
Cash balance beginning, PhP, excess/(shortfall)	22,172,928		22,172,928
<b>CASH INFLOWS</b>			
<i>Current year collection @PhP0.4231/kWh</i>	32,759,933	38,170,468	70,930,401
<i>Loan proceeds from NEA, PhP</i>		35,249,306	35,249,306
Total Cash Inflows, PhP	32,759,933	73,419,774	106,179,707
Available cash for Disbursement	54,932,861	73,419,774	128,352,635
<b>CASH OUTFLOWS</b>			
<i>CAPEX requirement</i>	45,875,352	73,419,774	119,295,126
<i>Old debt (old amortization)</i>	15,245,922	13,405,544	28,651,466
<i>New amortization (new CAPEX), PhP</i>	-	8,276,318	8,276,318
<i>ERC Permit Fee, PhP</i>	344,065	550,648	894,713
Total Cash Outflows, PhP	61,465,339	95,652,284	157,117,623
<b>Cash balance ending, PhP, excess/(shortfall)</b>	<b>(6,532,478)</b>	<b>(22,232,510)</b>	<b>(28,764,988)</b>

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 **PhP 0.1716** 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>PARTICULARS</b>	<b>2016 (PhP)</b>	<b>2017 (PhP)</b>	<b>TOTAL (PhP)</b>
kWh Sales Forecast	77,428,345	90,216,185	167,644,530
Current MCC Rate per kWh	.4231	.4231	
Available cash for Disbursement	54,932,861	38,170,468	93,103,329
Capex Plan Cost Cash Flow	61,465,339	60,402,978	121,868,317
Indicative Additional Revenue Requirement	6,532,478	22,232,510	28,764,988
Current MCC Rate per kWh	.4231	.4231	
Capex Plan Cost Cash Flow Indicative Rate per kWh	.7938	.6695	
<b>Indicative Additional Revenue Requirement per kWh</b>	<b>0844</b>	<b>.2464</b>	<b>.1716</b>

**AUTHORITY TO SECURE LOAN FROM NEA**

10. As shown above, the proposed projects shall be financed partly through a loan from NEA considering that the cooperative's RFSC is not readily available and further not sufficient to finance the implementation of the proposed projects as planned. In view thereof, the cooperative hereby

applies for authority from the Honorable Commission to secure said loan.

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

11. Applicant 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 instant application is pending evaluation of the Honorable Commission;
14. 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**

15. 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:

<b>Annex Markings</b>	<b>Nature of Document</b>
<i>Annex A</i>	Distribution Development Plan for 2015-2017, with technical and financial analysis and supporting data presented in ERC-prescribed templates
<i>Annexes B B-1</i>	Affidavit of Posting 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 Sara and Sangguniang Panlalawigan of Iloilo
<i>Annexes G to G-2</i>	Publication of the Application in a newspaper of general circulation within ILECO III's franchise area or where it principally operates, with Affidavit of Publication

**PRAYER**

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

1. During the pendency of the instant application, ILECO III be granted provisional authority to implement the proposed projects as they become urgently necessary under prevailing circumstances, as well as to secure loan from the National Electrification Administration (NEA) to finance the same;
2. After due notice and hearing, the cooperative's Capital Expenditure Program for 2015 to 2017 as well as application for authority to secure loan from NEA, be granted 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 **16 November 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at ILECO III's principal office at Brgy. Preciosa, Sara, Iloilo.**

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:

- i. The petitioner's name and address;
- ii. 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
- iii. 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

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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 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 the ERC, **ALFREDO J. NON**, and Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 31<sup>st</sup> day of July 2017 at Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*