

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



**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF
EMERGENCY CAPITAL
EXPENDITURE PROJECT
FOR 2015, RE:
REPLACEMENT OF
DAMAGED POWER
TRANSFORMER AT THE
BATAAC STATION**

ERC CASE NO. 2016-138 RC

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

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 09 June 2016, the Ilocos Norte Electric Cooperative, Inc. (INEC) filed an application for the approval and confirmation of its emergency capital expenditure (CAPEX) project for 2015, relative to the damaged power transformer at the Bataac Station.

In the said 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 from 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 BASIS FOR THE APPLICATION

3. This application is being filed pursuant to Article III (3.4) of ERC Resolution No. 26 Series of 2009 as well as other pertinent laws and rules.

CAUSE OF ACTION

4. INEC has a pending application with the Honorable Commission for the approval of its Capital Expenditure Program for 2015-2017 under ERC Case No. 2014-079 RC.
5. Among the proposed projects in said application is the Repair/Rehabilitation of the 10 MVA Batac Substation with Project Code No. SUB-001, which involves the immediate repair/rehabilitation of its 10MVA power transformer, at estimated cost of Php6,000,000.00 and schedule of implementation in 2015.
6. Incidentally, on May 3, 2015, the alarm device of the Batac Substation was triggered by high oil and winding temperature which reached 75 degrees Celsius during day time at a load of 6.5 MVA.
7. The First Philec, Inc., manufacturer of the busted transformer, gathered oil sample on the subject power transformer, and its analysis showed that based on furan levels, paper condition is severely reduced and performing oil degassing is risky considering that the estimated DP is already below 350ppm. First Philec, Inc. recommended to replace transformer based on the estimated DP value. Copy of its Furan Analysis Report dated June 8, 2015 is attached hereto and made integral part hereof as **Annex "A"**.
8. First Philec, Inc. likewise prepared a Transformer Oil Laboratory Test Report. Based on the analysis the possible cause of high value of hydrogen (H₂) content was the stray gassing of the oil and partial discharge in the transformer. First Philec, Inc. recommended to conduct retest six (6) months after oil sampling date to establish trends and confirm condition. Copy of the Transformer Oil Laboratory Test Report dated June 8, 2015, is attached hereto and made integral part hereof as **Annex "B"**.
9. Unfortunately, on the night of June 16, 2015, the substation power transformer got busted. Incident Report on the matter dated June 17, 2015 is attached hereto and made integral part hereof as **Annex "C"**.

10. Restoration was immediately undertaken on the areas affected. Two (2) adjacent substations with combined capacity of 25MVA (1-15 MVA and 2-5 MVA) were extended to cover the affected areas. However, problems on power quality and reliability occurred, which could not be possibly addressed.
11. The only solution to the problems is the replacement of the busted power transformer with a brand new unit.
12. Considering the urgency to immediately restore a reliable and efficient power supply in the affected areas, there is an urgent need to purchase the new power transformer to replace the busted unit.
13. Accordingly, INEC undertook the publication of an Invitation to Bid for the Supply, Installation and Commissioning of a 10 MVA power transformer for the Batac Substation.
14. INEC duly informed and manifested to the Honorable Commission about the foregoing problems by filing an "Urgent Motion to Withdraw the Proposed Batac Substation Repair/Rehabilitation Project" in ERC Case No. 2014-079 RC. Copy of the motion is attached hereto and made integral part hereof as **Annex "D"**.
15. The contract for the supply, installation and commissioning of a 10 MVA power transformer for the Batac Substation was eventually awarded to PPI Pazific Power, Inc. Copy of the Contract for the Procurement of Supply, Delivery, Installation and Commissioning of a 10MVA 69/13.2kV Power Transformer at Quiling Sur, Batac Substation is attached hereto and made integral part hereof as **Annex "E"**.

PROJECT DESCRIPTION, JUSTIFICATIONS and COST

16. The cost of the project is Sixteen Million Three Hundred Fourteen Thousand Nine Hundred Sixty Four Pesos (PhP16,314,964.00) and a detailed description, justification and cost of said project is provided in the Executive Summary, attached hereto and made integral part hereof as **Annex "F"**.

PROJECT SCHEDULE

17. Considering the urgent necessity to restore a safe, reliable and efficient power in the affected areas, the replacement of the busted power transformer was immediately undertaken. Accordingly, the new power transformer was delivered to the site on December 4, 2015 and installation was started on

December 9, 2015. Energization of the Batac Substation is being targeted on January 18, 2016.

PROJECT FINANCING

18. The total cost of the project was funded from the Reinvestment Fund for Sustainable Capital Expenditure (RFSC) of INEC.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

19. Finally, in compliance with the pre-filing requirements for the instant application, INEC is submitting herewith the following documents which shall form integral parts hereof, as follows:

	Nature of Document
Annexes "G" and "G-1"	Proof of furnishing of copies of the Application to the Sangguniang Bayan of Dingras and Sangguniang Panlalawigan of Ilocos Norte
Annexes "H" and series	Publication of the Application in a newspaper of general circulation within INEC's franchise area or where it principally operates, with Affidavit of Publication

20. INEC prays that the Commission, after due notice and hearing, confirm and approve the installation of a new Power transformer at its Batac Substation in replacement for the damaged unit, and funding of the project with the cooperative's Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

The Commission has set the application for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and evidentiary hearing on **26 January 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at Brgy. Suyo, Dingras, Ilocos 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 Commission'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 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 7th day of November, 2016 in Pasig City.


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