

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL/CONFIRMATION
OF FORCE MAJEURE EVENT
CAPITAL EXPENDITURE
PROJECTS RE: REPAIR,
RESTORATION,
REPLACEMENT, AND
REHABILITATION OF
DISTRIBUTION LINES AND
FACILITIES DAMAGED BY
SUPER TYPHOON ODETTE
WITH APPLICATION FOR
AUTHORITY TO SECURE LOAN
FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)
AND/OR PRIVATE FINANCIAL
INSTITUTION

ERC CASE NO. 2023-041 RC

CEBU I ELECTRIC
COOPERATIVE, INC. (CEBECO
I),

Applicant.

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Promulgated:
May 18, 2023

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES

Notice is hereby given that on 11 May 2023, Cebu I Electric Cooperative, Inc. (CEBECO I) filed an *Application* dated 31 October 2022, seeking the Commission's approval or confirmation of CEBECO I's force majeure event capital expenditure projects re: repair, restoration, replacement, and rehabilitation of distribution lines and facilities damaged by super typhoon Odette with an application for authority to secure a loan from the National Electrification Administration and/or a private financial institution.

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. That Applicant CEBECO I is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Bito-on, Dumanjug, Cebu, Philippines, represented herein by its General Manager, **Engr. Getulio Z. Crodua**, duly authorized by virtue of Resolution No. 171, Series of 2021 dated 23 December 2021 of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof. The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;
2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Carcar and the Municipalities of Barili, Dumanjug, Ronda, Alcantara, Moalboal, Badian, Alegria, Malabuyoc, Ginatilan, Samboan, Santander, Sibonga, Argao, Dalaguete, Alcoy, Boljo-on, and Oslob, all in the Province of Cebu;
3. This Application is filed in compliance with ERC Resolution No. 26, Series of 2009, particularly under Article III, Section 3.3 thereof;
4. On 16 December 2021, super typhoon Odette hit the Province of Cebu with sustained winds of 195 kph and gustiness of up to 260 kph, thus, declared by PAGASA as under Storm Signal No. 4;
5. The powerful and catastrophic super typhoon caused massive destruction on the distribution lines, facilities and equipment of the Applicant, resulting to power blackout within the franchise area of CEBECO I;
6. In compliance with its mandate and in consonance with the pertinent provisions of the EPIRA to provide and ensure quality, reliable and secured supply of electric power to its member-consumers, CEBECO I immediately proceeded to repair the damaged distribution lines, facilities and equipment and exhausted all available materials and buffer stocks in its warehouse
7. On 10 March 2022, CEBECO I informed the Honorable Commission of the occurrence of the Force Majeure Event in accordance with ERC Resolution No. 26, series of 2009;
8. Repair and restoration of the damaged distribution lines and facilities were done phase by phase incurring unprogrammed expenditures in the estimated amount of **Two Hundred Eleven Million Three Hundred Twenty One Thousand Two Hundred Forty Two and 01/100**

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(Php211,321,242.01) Pesos. Materials used in the urgent repair and restoration were procured from suppliers at the least cost available;

9. Hereunder is the project undertaken by CEBECO I after the occurrence of the force majeure event consisting of the repair, restoration, replacement and/or rehabilitation of the cooperative's damaged distribution facilities described as follows, to wit:

Project Title	Repair, Restoration and Rehabilitation of Distribution Lines & Equipment of CEBECO I due to Typhoon Odette.
Project Description	The project consists of replacement of damaged poles, line hardware, kWh meters, transformers, protective devices and service drop wires brought about by Typhoon Odette. It also includes repair, restoration, and rehabilitation of damaged distribution lines.
Project Cost	Php211,321,242.01
Project Schedule	Power restoration activities commenced on December 17, 2021 together with the assessment and inventory of the damages sustained by the distribution system of CEBECO I and was completed on 17 March 2022.
Annexes	Annex B: Executive Summary of the Force Majeure CAPEX Plan Annex B-1: Force Majeure Event Reference Annex B-2: CEBECO I's Letter Notifying the ERC of the occurrence of the Force Majeure Event Annex B-3: Detailed Cost of the Project Annex B-4: Gantt Chart Annex B-5: Detailed Financing Plan Annex B-6: Audited Financial Statements Annex B-7: RFSC Utilization Report Annex B-8: Photos of Damaged Lines and Facilities

10. In the implementation of the proposed projects, the Applicant shall source the funds from its Reinvestment Fund for Sustainable CAPEX ("RFSC") and through a loan with the National Electrification Administration (NEA) and/or other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers. Thus, a parallel Application for the grant of authority to secure loan with the aforesaid government agency and/or other private financing institution is incorporated herein:
11. The implementation of the proposed CAPEX shall bring forth an indicative rate impact as follows:

INDICATIVE RATE IMPACT

Interest rate: NEA @3.25%; Other Financial Institution @8%

Particulars	Year 2022	Year 2023	Year 2024	TOTAL
Projected kWh Sales	225,702,602	243,722,058	263,683,926	0.3581
Existing RFSC Rate, PhP/kWh	0.3581	0.3581	0.3581	0.3581
Beginning Balance, PHP, excess(shortfall)	8,860,105.78	93,869,869.38	(45,106,329.42)	8,860,105.78
FUND INFLOWS				
Revenue from Current RFSC	80,824,101.95	87,276,869.01	94,425,213.74	262,526,184.70

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50% Income on Leased Properties, PhP	1,356,158.50	1,356,158.50	1,356,158.50	4,068,475.50
Loan Proceeds from Force Majeure CAPEX (NEA & Other Financial Institution)	211,321,242.01	-	-	211,321,242.01
Govt Subsidy, PhP (CAPEX 2022-2024)	36,888,502.68	35,336,283.42	19,547,222.28	91,772,008.37
Loan Proceeds (CAPEX 2022-2024)	203,267,999.58	92,190,188.89	103,797,980.95	399,256,169.42
Loan Proceeds from the Pending Application (CAPEX 2019-2021)	298,204,340.00	-	-	298,204,340.00
Total Fund Inflows, PhP	831,862,344.71	216,159,499.81	219,126,575.47	1,267,148,419.99
TOTAL Funds Available for Disbursement	840,722,450.49	310,029,369.19	174,020,246.05	1,276,008,525.77
FUND OUTFLOWS				
Force Majeure CAPEX	211,321,242.01	-	-	211,321,242.01
Loan Amortization Force Majeure CAPEX (NEA & Other Financial Institution)	15,618,616.80	34,619,880.91	34,619,880.91	84,858,378.63
CAPEX Requirement (CAPEX 2022-2024)	301,256,806.89	196,429,586.78	199,966,746.82	697,653,140.49
Loan Amortization (CAPEX 2022-2024)	27,266,143.61	47,324,997.63	63,166,141.41	137,757,282.65
Loan Amortization for the Pending Application (CAPEX 2019-2021)	51,889,211.93	49,470,443.39	47,101,375.58	148,461,030.91
Existing Loan Amortization from Approved CAPEX Projects	27,036,809.36	25,817,567.99	14,259,971.34	67,114,348.69
Previous CAPEX (2019-2021) Requirements (to IGF)	104,837,215.00	-	-	104,837,215.00
ERC Permit Fee Force Majeure CAPEX	1,584,909.32	-	-	1,584,909.32
ERC Permit Fee (CAPEX 2022-2024)	2,259,426.05	1,473,221.90	1,499,750.60	5,232,398.55
ERC Permit Fee from the Pending Application (CAPEX 2019-2021)	3,782,200.14	-	-	3,782,200.14
Total Fund Outflows, PhP	746,852,581.11	355,135,698.61	360,613,866.66	1,462,602,146.38
Fund Balance ending, PHP, excess/(shortfall)	93,869,869.38	(45,106,329.42)	(186,593,620.60)	(186,593,620.60)
Excess/(shortfall) on RFSC, PhP/kWh	0.4159	(0.1851)	(0.7076)	(0.2545)

12. The immediate repair, restoration and rehabilitation of distribution facilities & infrastructures and replacement of materials & equipment conducted by the Applicant is necessary to ensure a safe, reliable and efficient power service for the benefit of the consumer-members;

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13. Applicant reiterates and incorporate the foregoing allegations in support of its Application for Authority to Secure Loan with the National Electrification Administration (NEA) and/or other Private Financing Institutions, which will provide the least interest rate, and further allege;
14. The implementation of the Force Majeure Capital Expenditure Projects is urgently necessary for the immediate restoration of the services of the cooperative for the benefit of its member-consumers;
15. Unfortunately, the current rate of the Reinvestment Fund for Sustainable CAPEX (RFSC) of Applicant CEBECO I is not enough to finance its obligations in the implementation of the Force Majeure Capital Expenditure Project, as can be shown below:

INDICATIVE RATE IMPACT
(Without availing a loan)

Particulars	Year 2022	Year 2023	Year 2024	TOTAL
Projected kWh Sales	225,702,602	243,722,058	263,683,926	0.3581
Existing RFSC Rate, PhP/kWh	0.3581	0.3581	0.3581	0.3581
Beginning Balance, PHP, excess(shortfall)	8,860,105.78	(101,832,755.82)	(206,189,073.72)	8,860,105.78
FUND INFLOWS				
Revenue from Current RFSC	80,824,101.95	87,276,869.01	94,425,213.74	262,526,184.70
50% Income on Leased Properties, PhP	1,356,158.50	1,356,158.50	1,356,158.50	4,068,475.50
Govt Subsidy, PhP (CAPEX 2022-2024)	36,888,502.68	35,336,283.42	19,547,222.28	91,772,008.37
Loan Proceeds (CAPEX 2022-2024)	203,267,999.58	92,190,188.89	103,797,980.95	399,256,169.42
Loan Proceeds from the Pending Application (CAPEX 2019-2021)	298,204,340.00	-	-	298,204,340.00
Total Fund Inflows, PhP	620,541,102.70	216,159,499.81	219,126,575.47	1,055,827,177.98
TOTAL Funds Available for Disbursement	629,401,208.48	114,326,743.98	12,937,501.76	1,064,687,283.76
FUND OUTFLOWS				
Force Majeure CAPEX	211,321,242.01	-	-	211,321,242.01
CAPEX Requirement (CAPEX 2022-2024)	301,256,806.89	196,429,586.78	199,966,746.82	697,653,140.49
Loan Amortization (CAPEX 2022-2024)	27,266,143.61	47,324,997.63	63,166,141.41	137,757,282.65
Loan Amortization for the Pending Application (CAPEX 2019-2021)	51,889,211.93	49,470,443.39	47,101,375.58	148,461,030.91
Existing Loan Amortization from	27,036,809.36	25,817,567.99	14,259,971.34	67,114,348.69

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Approved CAPEX Projects				
Previous CAPEX (2019-2021) Requirements (to IGF)	104,837,215.00	-	-	104,837,215.00
ERC Permit Fee Force Majeure CAPEX	1,584,909.32	-	-	1,584,909.32
ERC Permit Fee (CAPEX 2022-2024)	2,259,426.05	1,473,221.90	1,499,750.60	5,232,398.55
ERC Permit Fee from the Pending Application (CAPEX 2019-2021)	3,782,200.14	-	-	3,782,200.14
Total Fund Outflows, PhP	731,233,964.31	320,515,817.70	325,993,985.75	1,377,743,767.75
Fund Balance ending, PHP, excess/(shortfall)	(101,832,755.82)	(206,189,073.72)	(313,056,483.99)	(313,056,483.99)
Excess/(shortfall) on RFSC, PhP/kWh	(0.4512)	(0.8460)	(1.1872)	(0.4270)

16. While Applicant has internally generated funds, same is insufficient and needs to be augmented by a loan through NEA's lending program, designed to assist the electric cooperatives and/or other Private Financing Institution, which can offer the least interest rates to the benefit of the member-consumers; hence, to apply for an authority to secure loan from the Commission is deemed prudent, rational and necessary;
17. That, Applicant reiterates and incorporate the foregoing allegations in support of its application for issuance of provisional authority and further allege:
 - a. That the amount and the extent of the damage caused by super typhoon Odette is unprecedented which not only affected the distribution system of CEBECO I but likewise significantly affected the financial condition of the Applicant;
 - b. The negative impact in its financial condition is seen to affect CEBECO I's financial obligation and its operations to the detriment of its member-consumers;
 - c. Considering that financial institutions, which could provide the least interest rates, requires an approval of the Force Majeure CAPEX or a provisional authority issued by the Honorable Commission in order to avail said loan facility;
 - d. Thus, the provisional authority that may be issued by the Honorable Commission will provide Applicant the opportunity to draw a loan from these financial institutions and settle the cooperative's obligation due to its suppliers in the implementation the Force Majeure Capital Expenditure Project;
 - e. That Applicant is aware that the Provisional Authority that may be granted is subject to the final evaluation of the

Honorable Commission;

18. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Office of the Mayor and the Legislative Body of the Municipality of Dumanjug, where Applicant principally operates and the Office of the Governor and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant;
19. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes "C", "D", "E" and "F"**, respectively. Likewise attached hereto as **Annexes "G" and "H"** are the Affidavit of Publication and the newspaper issue containing the published Application;
20. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application.

PRAYER

WHEREFORE, premises considered, Applicant respectfully prays that the Honorable Commission after due hearing and evaluation of the Application, an Order be issued:

1. **Confirming and approving** the repair, restoration and rehabilitation of distribution facilities & infrastructures and replacement of materials & equipment damaged by Typhoon Odette;
2. **Approving** the application for authority to secure a loan with the National Electrification Administration (NEA) and/or other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers;
3. **Allowing** Applicant, through a Provisional Authority, to Secure a Loan with the National Electrification Administration (NEA) and/or other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers pending resolution of the Application in order to allow Applicant to draw loan from other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers;

Other relief just and equitable are likewise prayed for.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates, and online platforms for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ and Resolution No. 01, Series of 2021² (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
14 July 2023 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements, and Expository Presentation
21 July 2023 (Friday) at nine o'clock in the morning (9:00 A.M.)		Pre-Trial Conference and Presentation of Evidence

CEBECO I was directed to host the virtual hearings at **CEBECO's principal office located at Bito-on, Dumanjug, Cebu** as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. CEBECO shall also guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications **at least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at docket@erc.ph and copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, any person who has an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene **at least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment **at least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.


Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, their respective e-mail addresses and indicating therein the case number of the instant *Application*. The

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Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 18th day of May 2023 in Pasig City.


MONALISA C. DIMALANTA
Chairperson and CEO *m*


LS: JPM/ JGGW/MCCG

