

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
GENERATION RATE
RECOVERY FOR THE
ILOCOS NORTE ELECTRIC
COOPERATIVE'S 2.000MW
AGUA
GRANDE/MABOGABOG
MINI-HYDRO POWER
PLANT (AGMMHPP)**

ERC CASE NO. 2021-102 RC

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

Applicant.

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 06 December 2021, Ilocos Norte Electric Cooperative, Inc. (INEC) filed an *Application* dated 29 October 2021, seeking for the Commission's approval of the generation rate recovery for its 2.000 MW Agua Grande/Mabogabog Mini-Hydro Power Plant (AGMMHPP).

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

1. Applicant is an 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, represented herein by its General Manager, Engr. Felino Herbert P. Agdigos, duly authorized pursuant to Board Resolution No. 2021-11-122 dated 02 November 2021, of the Board of Directors, a copy of which is hereto attached and marked as Annex "A-1";

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the municipalities of Adams, Bacarra, Badoc, Bangui, Banna, Burgos, Carasi, Currimaog, 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;
3. By and pursuant to Section 25 of Republic Act No; (sic) 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), and by suppletory application of Rule 20 (B) of the ERC Rules of Practice and Procedure, and of Article VI, Sections 1 and 2 of the ERC Guidelines for the Recovery of Costs for the Generation Component of the Distribution Utilities' (DUs) Rates, and other pertinent laws, Applicant INEC, in its capacity as the owner and operator of the 2.000MW Agua Grande/Mabogabog Mini-Hydro Power Plant (AGMMHPP), submits this Application for the approval of the proposed generation rate recovery for its 2.000MW AGMMHPP to this Honorable Commission for its due consideration;

THE APPLICATION AND ITS PURPOSE

4. Applicant INEC has furnished the legislative bodies of the local government units where it principally operates with copies of the Application with all its annexes and accompanying documents. Copies of the proof of service to the Sangguniang Panlalawigan of Ilocos Norte, and Sangguniang Bayan of Pagudpud, Ilocos Norte are attached as Annexes "B-1" and "C-1", respectively;
5. Applicant has also published the Application sans annexes in its entirety in a newspaper of general circulation within its franchise area. Copies of the Affidavit of Publication and the Newspaper where the Application was published are hereto attached as Annexes "D-1" and "E-1", respectively;

STATEMENT OF FACTS

6. In 2020, applicant INEC sourced about ninety nine percent (99%) of its energy requirements from its power suppliers with an approved Power Supply Agreement and WESM as shown in Table 1 below. A copy of the Applicant INEC's Supply and Demand Scenario is attached and made an integral part hereof as Annex "F":

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Month	INEC MQ (MWH)	MPPCL (MWH)	Exposure (MWH)	MHPP (MWH)
January	24,711.36	23,582.85		1,128.52
February	23,074.67	22,366.54		708.13
March	24,900.99	24,581.90		319.09
April	26,786.25	26,554.99		231.26
May	28,743.38	28,356.97	45.39	341.02
June	31,082.17	30,784.82	68.62	228.73
July	28,976.85	28,771.82	26.21	178.82
August	28,348.19	28,177.10	4.60	166.49
September	29,991.26	29,845.10	13.72	132.44
October	27,918.76	27,916.10	2.66	
November	25,608.04	25,608.04		
December	23,548.65	23,548.65		
Total	323,690.58	320,094.87	161.21	3,434.51
%	100.00%	98.89%	0.05%	1.06%

Table 1: INEC Power Supply Mix Details for CY2020

7. In the last five years, applicant INEC’s Agua Grande/Mabogabog Mini-Hydro Power Plant (AGMMHPP) has an actual average plant capacity factor of 32% only as shown in Table 2 hereunder:

Particulars	Historical Generation					Average
	2015	2016	2017	2018	2019	
Generation sold to INEC	6,131,992	4,908,919	5,615,045	4,430,238	5,051,400	5,227,519
TOTAL	6,131,992	4,908,919	5,615,045	4,430,238	5,051,400	5,227,519
Plant Capacity	38%	31%	35%	28%	29%	
Average Plant Capacity						32%
Note:						
1) Generation for 2020 was not included since it is in this year that the Commission ordered AGMMHPP to ceased its operation						
2) Before the rehabilitation that commenced last 2019, the total plant capacity per unit is 910kW						

Table 2: 5-Year Historical Generation of AGMMHPP

8. In INEC’s latest Power Supply Procurement Plan (PSPP) submitted to NEA and DOE, the generation of AGMMHPP is primarily considered under Self-Generation as shown in Table 3 hereunder:

DESCRIPTION	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Forecasted Coincident Peak Demand (MW)	58.87	62.16	64.28	66.30	68.22	70.06	71.82	73.52	75.15	76.72
Contracted Capacity (MW)										
2015-2014RC (MPPCL)	51	51	51	51	51	51	51	51	51	51
MHPP (Self-Generation)	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54	1.54
Planned Capacity (MW)										
Base_New			3	5	6					

Table 3: INEC PSPP Summary

9. Applicant INEC’s forecasted demand increases by an average rate of 4% per annum over the next 5 years. With the generation of AGMMHPP, the capacity to be withdrawn by INEC from its power suppliers including WESM will be 5.6MW lower;
10. Due to the foregoing impacts of AGMMHPP to INEC’s overall power supply, Applicant INEC urgently needed to apply for

generation Rate Recovery for AGMMHPP. Hence, on 18 May 2021, the Board of Directors of Applicant INEC passed Board Resolution No. 2021-05-63 approving the application for approval of the GRR for AGMMHEPP before the Energy Regulatory Commission, hereto attached and marked as Annex “G”;

11. Copies of AGMMHPP’s Certificate of Compliance issued by ERC which is subject of renewal, Certificate of Endorsement from the Department of Energy (DOE) and the 2021 Business Permit of INEC, evidencing the latter’s due registration and permit to operate the embedded 2.000MW Agua Grande/Mabogabog Minihydro Power Plant are hereto attached and marked as Annexes “H-1”, “I-1” and “J-1”, respectively;
12. In 1983, Applicant INEC commenced the operation of the AGMMHPP with a 4.55MW capacity (5 turbines with 910MW capacity each). However, sometime in 10 June 1985, AGMMHPP was attacked by NPAs and put the plant in fire reason thereof that the facility was destroyed. When it was restored, only 2 turbines were fixed and for the longest time, it was operating under a 1.8MW capacity. It supplied its consumers through the INEC’s 13.2kV distribution line. Subsequently, it was rehabilitated in 2019 and its capacity was upgraded to 2.000MW and is now connected to the 23kV distribution line of INEC. Copy of the Single Line Diagram of INEC’s distribution line is hereto attached and made an integral part hereof as Annex “K”;

COMPUTATION OF PROPOSED RATE

13. As mandated by Section 25 of the EPIRA “retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economics costs incurred, or such other principles that will promote efficiency as may be determined by the ERC”;
14. Accordingly, Applicant INEC hereby submits for the due consideration and approval of this Honorable Commission herein proposed Php 6.0445/kWh computed using the following cost components and determinants to wit:
 - A. Energy Generation Output
15. In the past five (5) years, Applicant INEC’s AGMMHPP has an average output of about 5,227,519 kwh and a plant capacity factor of 32% in the last five years as presented under Table 2.
- B. Total Project Cost
16. The electro-mechanical components of AGMMHPP (historical cost) and the cost of civil structures and other assets was loaned from NEA but was condoned and assumed by PSALM Corporation. However, the rehabilitation/

development cost was loaned from NEA, of which, INEC started its amortization this 2020. A breakdown of the cost of the project together with the sources of funding is hereto attached as Annex “L” and made an integral part hereof.

C. Total Operations and Maintenance Cost

17. In the past five years (5) years, Applicant INEC’s annual average operation and maintenance cost of its AGMMHPP amounted to PhP22,349,600.82. A breakdown of AGMMHPP five year historical total operation and maintenance cost is attached hereto as Annex “M” to form an integral part hereof.

D. Operations and Maintenance (“O&M”) Fee

18. The O&M fee consists of the fixed and variable operating and maintenance expenses associated with the operation of the plant.
19. The five year average Fixed O&M cost for the operation of AGMMHPP amounting to PhP19,143,919.26 accounts for expenses for salaries and wages, office supplies, professional services, insurance and registration, taxes and licenses, depreciation, administrative expenses, finance cost and generation tolerance due to climate change among others. Please see Annex “M”.
20. On the other hand, the five year average Variable O&M cost for the operation of AGMMHEPP amounting to PhP3,205,681.57 which accounts for repairs and maintenance and the benefit to the host communities (ER-194) among others. Please see Annex “M”.

E. Determination of Generation Rate

21. Based on the foregoing, the resulting generation rate shall be Php 6.0445/kWh broken down as follows:

Rate Component	Rate (Php/kWh)
Capital Recovery Fee	3.7668
Fixed O&M Fee	1.9817
Variable O&M Fee	0.2960
TOTAL RATE	6.0445

Table 4: Proposed Generation Rate Recovery

22. The power rate is fixed for the next fifteen (15) years, wherein it is computed as the levelized rate over a 15-year period after considering the inflation driven cost increase over the same period of time indexed to the Philippine CPI;

ADVANTAGES ON THE SUPPLY OF POWER FROM AGMHEPP

23. The Board and Management of Applicant INEC developed, constructed and operated the AGMMHPP to augment the power requirement in the nearby areas as it is the load demand of the distribution feeder. Further, it will compensate for the required reactive power to improve the under voltage problem in the northern part of the franchise area; and
24. The generated power from AGMMHPP can reduce the pass-on VAT on generation considering that it is a renewable source which subject to zero percent (0%) VAT pursuant to Section 4 (108-5) of the BIR Revenue Regulation No. 16-2005. Likewise, the transmission cost will be reduced considering that it is directly connected to the distribution system/line of INEC.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

25. Applicant INEC hereby manifests compliance with the pre-filing requirements mandated under Rule 4, Section 2 of the Implementing Rules and Regulations of the EPIRA and Rule 6 of the 2006 ERC Rules of Practice and Procedure, as stated above;
26. Moreover, in support of the instant Application for the approval of the generation rate for the 2.000MW AGMMHPP, other pertinent documents were submitted in compliance with the Power Supply Agreement (PSA) Checklist as a requirement of the Pre-filing.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that after due notice and hearing, a decision be rendered APPROVING the generation rate of Php 6.0445/kWh for the 2.000MW Agua Grande/Mabogabog Mini-Hydro Power Plant of INEC.

Other just and equitable reliefs are likewise prayed for.

The Commission has set 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 platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):²

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.

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Date	Platform	Activity
2 March 2022 (Wednesday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams	Determination of compliance with the jurisdictional requirements and expository presentation
9 March 2022 (Wednesday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams	Pre-trial Conference and presentation of evidence

Accordingly, INEC is hereby directed to host the virtual hearing at **INEC's Principal Office at Brgy. Suyo, Dingras, Ilocos Norte**, 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. Moreover, INEC shall 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, 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 persons who have 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, copy furnish 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 and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating 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.

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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, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised 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, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

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, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The 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 **CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 25th day of January 2022 in Pasig City.


AGNES YST DEVANADERA
Chairperson and CEO


LS: MVM/LSP/MCCG

