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

IN THE MATTER OF THE APPLICATION FOR CONFIRMATION AND APPROVAL OF EMERGENCY CAPITAL EXPENDITURE PROJECT, NAMELY: PURCHASE AND INSTALLATION OF NEW 10 MVA POWER TRANSFORMER IN REPLACEMENT OF THE DAMAGED 5 MVA POWER TRANSFORMER AT TALOBATIB SUBSTATION

ERC Case No. 2026-133 RC

September 14, 2026

CAMARINES NORTE ELECTRIC COOPERATIVE, INC. (CANORECO),
Applicant.
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APPLICATION

APPLICANT CAMARINES NORTE ELECTRIC COOPERATIVE, INC. (CANORECO), through counsel and unto this Honorable Commission, most respectfully alleges that:

THE APPLICANT

1. CANORECO 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 J.P. Rizal St., Brgy. 1, Daet, Camarines Norte;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the following municipalities of the province of Camarines Norte, namely: Basud, Daet, Labo, San Lorenzo Ruiz, San Vicente, Talisay, Jose Panganiban, Vinzons, Paracale, Capalonga, Sta. Elena and Mercedes.

LEGAL BASES FOR THE APPLICATION

3. CANORECO submits for the Honorable Commission's confirmation and approval, its Emergency Capital Expenditure (CAPEX) Project, to wit: Purchase and installation of new 10 MVA power transformer in replacement of the damaged 5 MVA power transformer at its Talobatib Substation, pursuant to Republic Act No. 9136 otherwise known as the *Electric Power Industry Reform Act of 2001* or the "EPIRA", ERC Resolution 26, Series of 2009 and other pertinent rules, and in line with its mandate to maintain safe, reliable, secure and efficient operation of its power system;

4. On the other hand, the accompanying Application for Authority to Secure Loan is being filed pursuant to Section 20 (e) and (g) of Commonwealth Act No. 146 otherwise known as the "*Public Service Act*", which requires every public service to secure the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year.

STATEMENT OF FACTS

5. The Talobatib 5 MVA Substation situated in Sitio Mineral, Brgy. Talobatib, Labo, supplies the thirty-seven (37) barangays of the municipality of Labo, seven (7) barangays in Paracale and three (3) barangays in Vinzons. The big loads being served by the substation are from department stores and small mining operations in Brgys. Benit, Napaod and Dalas, Labo.

6. On 19 June 2020, at around 7:45 A.M., the 5 MVA power transformer of Talobatib Substation was burnt due to a fire incident that started inside the Medium Voltage Switchgear (MVSG). The lightning arrester inside the MVSG blasted due to a possible short-circuit brought about by small spacing in the old set up of switchgear. Heavy smoke and fire spread out immediately reaching the XLPE power cable and the location of the power transformer.

7. Aside from the power transformer, medium voltage switchgear and XLPE power cable, other equipment such as the SF6 Circuit Breaker, Recloser and By-pass Switches were also damaged but not totally burnt. The Disconnect Switch, Current and Potential Transformers are also counted as part of the damaged equipment as they were exposed to high temperature during the fire incident and became brittle. As a result of the foregoing, the Talobatib 5 MVA Substation was almost totally damaged. Hence, the testing of equipment was no longer conducted.

8. As a temporary solution, CANORECO immediately restored power in the affected areas by distributing the loads of Talobatib Substation to the nearby substations, to wit: 15% of the load was connected to Malatap Substation, 20% was connected to Tawig Substation and the remaining 65% was connected to Calintaan Substation. This had to be done while the emergency purchase of a replacement unit was being processed.

PROJECT DESCRIPTION

9. The project subject of the instant application is the emergency "Purchase and Installation of a New 10 MVA Power Transformer In Replacement of the Damaged 5 MVA Power Transformer at Talobatib Substation".

10. The project includes the supply, delivery, installation, testing and commissioning of materials and equipment needed for the substation. The immediate installation of the substation from the metering point up to the power take-off will be on a per-phase basis. The first phase (Phase 1) is for an interim connection to immediately restore the operation of Talobatib Substation. The second phase (Phase 2) is the final connection configuration of the new Talobatib Substation.

PROJECT JUSTIFICATION

11. As of April 2020, Talobatib Substation was at percent loading of 83.6%. With the incident that happened on 19 June 2020, CANORECO deemed it most appropriate to procure a brand new unit of power transformer, with higher capacity, to achieve the benefits stated hereunder, to wit:

a. There will be sufficient capacity of power supply in the area to cater the increasing demand in the future;
b. Substation load management and load equalization among substations especially during period of maintenance, will be achieved;
c. The system capacity due to overloading will be corrected and improved;
d. Customer satisfaction and economic development will be improved upon having a reliable power supply; and
e. Loss of revenue will be avoided and customers will be encouraged to pay on time.

PROJECT SCHEDULE

12. The construction and installation of the new 10 MVA Power Transformer, protection equipment and other accessories were commenced on 12 October 2020. The energization or interim connection to immediately restore the operation of Talobatib Substation (Phase 1) was done on 13 November 2020; and the final connection configuration of the new Talobatib Substation or project completion (Phase 2) has been completed.

PROJECT COST

13. The Project cost is in the total amount of Forty Million Pesos (PhP40,000,000.00) which covers the supply, delivery, installation, testing and commissioning of the substation equipment (Phase 1) and the supply, delivery, installation of the MV Switchgear, construction of medium voltage switch room, civil works and steel works (Phase 2) for the uprating of Talobatib Substation from 5 MVA to 10 MVA.

PROJECT FINANCING

14. To fund the project, CANORECO secured a loan from the Rural Electrification Financing Corp. (REFC) in the amount of Forty Million Pesos (PhP40,000.00) at an interest rate of 6.5% per annum, payable in fifteen (15) years. Securing long-term loan was a financial strategy to minimize the cash flow that will eventually be part of the cost of service to the member-consumer-owners.

INDICATIVE RATE IMPACT

15. Based on CANORECO's annual cash flow cost, which reflects a positive result for the first year of implementation and a negative result for the second year, the total cost per kWh needed /shortfall is PhP0.0636. The net negative result for the second year of implementation indicates a shortfall, needing additional revenue requirement of PhP0.2962 per kWh. Shown in the Table below is the annual rate impact of the implementation of the project, to wit:

PARTICULARS	Year 2020	Year 2021	TOTAL
Actual Energy Sales, KWH	186,436,854.86	192,923,000.00	379,359,854.86
Existing RFSC, Rate, PhP KWh	0.4268	0.4268	0.4268
Beginning Balance, PHP, excess/ (shortfall)	23,223,267.60	33,020,720.67	56,243,988.27
FUND INFLOWS			
Actual RFSC Collection, PhP	66,147,720.83	78,222,559.58	144,370,280.41
50% Income on leased properties, PhP	3,387,834.76	3,557,226.50	6,945,061.26
Government Subsidy, PhP	-	-	-
Proposed Loan Proceeds From Financial Ins.	40,000,000.00		40,000,000.00
Approved Financial Proceeds from Financial Ins.	133,248,000.00	-	133,248,000.00
Proposed Loan Proceeds From Financial Ins.	-	-	-
Total Fund Inflows, PhP	266,006,823.19	114,800,506.75	380,807,329.94
Available Fund for Disbursement			
FUND OUTFLOWS			
Proposed CapEx Requirement (Total cost incurred/ cost to be incurred)	64,400,000.00	-	64,400,000.00
Approved CAPEX Requirement (Approved total cost incurred)	129,146,937.60	-	129,146,937.60
Proposed CapEx Requirement (Total cost incurred/ cost to be incurred)	-	132,789,568.10	132,789,568.10
Proposed Annual Amortization	997,083.33	3,988,333.32	4,985,416.65
Approved Annual Amortization	36,680,617.59	35,164,076.36	71,844,693.95
Proposed Annual Amortization	-	-	-
Other Fees relative to CAPEX Application	-	-	-
Proposed ERC Permit Fees	300,000.00	-	300,000.00
Approved ERC Permit Fees	1,461,464.00		1,461,464.00

Proposed ERC Permit Fees	-	-	-
Total Fund Outflows, PhP	232,986,102.52	171,941,977.78	404,928,080.30
Ending Balance, PhP, excess/(shortfall)	33,020,720.67	(57,141,471.03)	(24,120,750.36)
Rate Impact on RFSC, PhP/KWh, excess/ (shortfall)	0.1771	(0.2962)	(0.0636)

SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS

16. Finally, in compliance with the documentary requirements under ERC Resolution No. 26, Series of 2009 and pre-filing requirements under the Revised ERC Rules of Practice and Procedure, CANORECO is submitting herewith the following documents to form integral parts of this Application as follows, to wit:

Annex Markings	Description of Documents
"A"	Write Up on the Emergency CAPEX Project
"B" series	Proof of furnishing of copies of the Application to the Offices of the Mayor and Sangguniang Bayan of Daet and the Offices of the Governor and Sangguniang Panlalawigan of Camarines Norte.
"C" series	Proof of publication of the Application in a newspaper in circulation in CANORECO's franchise area or where it principally operates.

PRAYER

WHEREFORE, premises considered, CANORECO respectfully prays of this Honorable Commission that after due notice and hearing, the Purchase and Installation of New 10 MVA Power Transformer in Replacement of the Damaged 5 MVA Power Transformer at Talobatib Substation, be approved and authorized accordingly.

Other reliefs, just and equitable in the premises are likewise prayed for.

Pasig City, Metro Manila. 10 June 2026.

JEREMIAH D. FRANCISCO
Counsel for Applicant CANORECO
Unit 1602 High Street South Corporate Plaza Tower 2,
26th St., Fort Bonifacio, Taguig City 1634
Roll of Attorneys No. 62302
PTR No. 3986950, dated 13 January 2026
IBP Lifetime Member No. 018969, RSM, 14 February 2018
MCLE Compliance No. VIII 0040630, 03 September 2025
E-mail: jdfrancisco115@gmail.com
Cellphone Number

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, Zandro R. Gestiada, of legal age, Filipino, married and with office address at the Camarines Norte Electric Cooperative, Inc. (CANORECO), J.P. Rizal St., Brgy. 1, Daet, Camarines Norte, after being sworn to according to law, depose and state that:

1. I am the General Manager and authorized representative of the CANORECO in the instant application, as evidenced by the Board Resolution attached hereto;

2. I caused the preparation of said Application and read the contents thereof, and I attest that the allegations therein are true and correct based on my personal knowledge as well as on authentic documents; and that the Application is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

3. I attest further that the factual allegations in the Application have evidentiary support or, if specifically so identified, will likewise have evidentiary support after a reasonable opportunity for discovery;

4. I attest furthermore, that CANORECO has not commenced or filed any claim involving the same issues herein with any Court, Tribunal or Quasi-Judicial Agency or, I am not aware of any such other case or claim pending before any court, tribunal or quasi-judicial agency; and should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, the cooperative shall report said fact within five (5) days from discovery thereof, to this Honorable Commission.

Further, Affiant sayeth naught.

ZANDRO R. GESTIADA
Affiant

SUBSCRIBED AND SWORN to before me in DAET, CAMARINES NORTE this JUL 13 day of 2026 2026 by Zandro R. Gestiada who exhibited to me his SSS ID bearing No. [illegible]

Doc. No. 289;
Page No. 59;
Book No. XXXVIII
Series of 2026.

Notary Public
ATTY. ROLDAN F. QUINONES, CPA, MBA, CESE
NOTARY PUBLIC
CAMARINES NORTE
ATTORI
NOTARIAL C...
VALID UNTI 12/31/2027
PTR NO. 303 956; 01/05/26
IBP OR NO. 58 328; 01/05/2026
MCLE COMPLIANC NO. VIII-00000107
VALID UNTIL 04/14/28