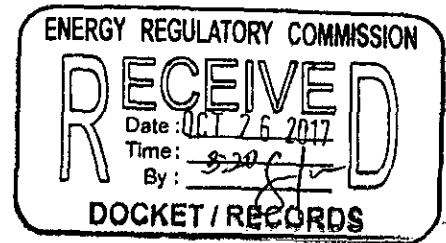


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

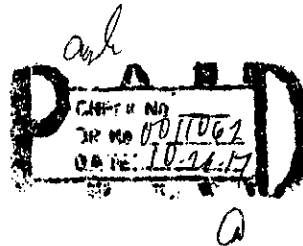
IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF PROPOSED CAPITAL
EXPENDITURE PROGRAM
FOR YEARS 2016 TO 2018,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA) AND
PRAYER FOR PROVISIONAL
AUTHORITY



2017-098

ERC CASE NO. _____ RC

DAVAO DEL SUR ELECTRIC
COOPERATIVE, INC.
(DASURECO),
Applicant.



X-----X

APPLICATION
WITH MOTION FOR PROVISIONAL AUTHORITY

Applicant, **DAVAO DEL SURELECTRIC COOPERATIVE, INC. (DASURECO)**, through counsel, and to this Honorable Commission, respectfully alleges, that:

THE APPLICANT

1. DASURECO is a non-stock, non-profit electric cooperative duly organized and existing under the laws of the Republic of the Philippines with principal office at Cogon, Digos City, Davao Del Sur.

2. It holds an exclusive franchise from the National Electrification Commission to operate and maintain an electric light and power distribution service in Digos City and in the municipalities of Magsaysay, Sulop, Sta. Cruz, Hagonoy, Malalag, Bansalan, Padada, Sta. Maria, Sarangani, Matanao, and Kiblawan, province of Davao Del Sur and the municipalities of Jose Abad Santos, Malita and Don Marcelino, province of Davao Occidental.

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, DASURECO seeks approval, confirmation and authority from this Honorable Commission to implement its proposed Capital Expenditure (CAPEX) Program for Years 2016 to 2018.

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

5. The projects subject of the instant application are presented below. They are valued at present value.

NETWORK CAPITAL PROJECTS				
PROJECT CATEGORY	PROJECT TYPE	PROJECT DESCRIPTION	YEAR OF IMPLEMENTATION	PROJECT COST (Php)
SUBTRANSMISSION LINE DEVELOPMENT PROJECTS	Safety	Refurbishment of 69kv Sub-Transmission Asset	2017-2018	13,809,159.32
		Acquisition of 69kV Sub-Transmission Asset	2017	71,671,600.20
SUBSTATION LINE DEVELOPMENT PROJECTS	Capacity	New 20MVA Malita Substation	2018	71,680,000.00
		New 20MVA Brgy. Zone II, Sta. Cruz Substation	2017-2018	58,888,888.00
		New 15MVA Bansalan Substation	2018	16,625,000.00

		2.5MVA Kahluahan Mini Substation Capacity Upgrading	2017-2018	6,123,671.06
PRIMARY DISTRIBUTION DEVELOPMENT PROJECTS	Safety	Installation of seventeen (17) mid-stream feeder protection	2018	14,586,000.00
		Rehabilitation of dilapidated Distribution Lines	2016 & 2018	18,223,800.00
		Relocation of distribution line to Road Right-Of-Way	2017-2018	51,030,007.67
	Power Quality	Installation of six (6) sets of Automatic Voltage Regulators (Kiblawan, Matanao, Hagonoy, Magsaysay, Sulop and Sta. Maria)	2018	18,000,000.00
	Safety	Three (3) Substation Switch Gear Upgrading (Matanao, Paligue and Malalag Substation)	2017-2018	35,640,000.00
	Reliability	Installation of 69kV, GOABS Transfer Switch at Paligue, Malalag and Digos Substations	2017-2018	6,958,136.40
	System Loss	Distribution Transformer Rationalization	2018	22,932,000.00
	Reliability	Spare line hardware and materials for Contingency/ Emergency/Calamities	2016-2018	58,213,764.13
OTHER CAPITAL EXPENDITURES	Capacity	Expansion of Distribution Lines	2016-2018	64,482,485.71
		Customer Service Dropping Materials and kWh Meter	2016-2018	138,790,765.26
		Asset Renewal Projects	2016-2018	13,250,065.45
SUB-TOTAL				680,905,343.20
NON - NETWORK CAPITAL PROJECTS				
OTHER CAPITAL EXPENDITURES	Safety	Construction of New DASURECO Headquarters	2017-2018	147,218,908.10
		Three (3) Satellite Offices	2017-2018	5,737,483.86
		Main Office Warehouse	2017-2018	12,022,084.67
	Capacity	Utility Service Vehicle	2016-2018	61,612,000.00
	Safety	Laboratory Equipment	2016 & 2018	9,484,797.20
		Tools and Safety Gadgets	2016-2018	16,146,384.69
	Capacity	Additional Meter Reading Equipment	2017-2018	1,455,000.00

	Capacity	Power Trading Hardware and Software Equipment	2018	2,200,000.00
	Reliability	SCADA Acquisition	2018	55,285,563.00
	Capacity	Office Computers	2016-2018	4,934,002.00
SUB-TOTAL				316,096,223.52
GRANDTOTAL				997,001,566.72

CAPITAL EXPENDITURE PLAN

6. DASURECO's Capital Expenditure (CAPEX) Plan for the period 2016-2018 is discussed in detail in its Distribution Development Plan for 2016-2018 Executive Summary, with technical and financial analysis and supporting data presented in ERC-prescribed templates.

FINANCIAL AND ECONOMIC EVALUATION

7. **Financing Plan.** DASURECO'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)	2016 (PhP)	2017(PhP)	2018 (PhP)
RFSC	79,536,155.58	58,539,993.09	2,094,649.99	18,901,512.50
NEA	917,465,411.14	-	240,217,199.10	677,248,212.04
Total Cost	997,001,566.72	58,539,993.09	242,311,849.09	696,149,724.54

8. **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	2016 (PhP)	2017(PhP)	2018 (PhP)	TOTAL
RFSC	58,539,993.09	2,094,649.99	18,901,512.50	79,536,155.58
NEA	-	240,217,199.10	677,248,212.04	917,465,411.14
CAPEX Permit Fee	439,049.95	1,817,338.87	5,221,122.93	7,477,511.75
Total CAPEX Plan Cost to Consumers	58,979,043.04	244,129,187.96	701,370,847.47	1,004,479,078.47

9. **Cash Flow.** DASURECO's cash flow shows that it can viably pursue and implement the proposed CAPEX Plan and will determine the sufficiency of its RFSC Rate. DASURECO also considered in the whole capital expenditure structure previous indebtedness incurred in financing past capital expenditure projects outstanding as of year 2015, such that including the amortization of said indebtedness will have the cash flow as shown in the Table below.

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

	2016	2017	2018	TOTAL
Forecasted energy sales, kWh	292,289,548	298,023,647	325,271,405	915,584,600
Cash balance beginning, PhP, excess/(shortfall)	91,011,646.84	108,435,079.51	84,120,968.84	91,011,646.84
CASH INFLOWS				
Current year collection @PhP0.2904/kWh	84,880,884.74	84,815,145.75	92,569,639.69	262,265,670.18
Loan proceeds from financial institutions, PhP		168,545,598.90	677,248,212.04	845,793,810.94
Total Cash Inflows, PhP	84,880,884.74	253,360,744.64	769,817,851.73	1,108,059,481.12
Available cash for disbursement	175,892,531.58	361,795,824.16	853,938,820.57	1,199,071,127.96
CASH OUTFLOWS				
CAPEX requirement	58,539,993.09	242,311,849.09	696,149,724.54	997,001,566.72
Old debt (old amortization)	1,250,605.51	3,781,900.34	3,781,900.34	8,814,406.19
New amortization (new CAPEX), PhP	7,227,803.52	29,763,767.02	120,317,546.45	157,309,116.99
ERC Permit Fee, PhP	439,049.95	1,817,338.87	5,221,122.93	7,477,511.75
Total Cash Outflows, PhP	67,457,452.07	277,674,855.31	825,470,294.27	1,170,602,601.65
Cash balance ending, PhP, excess/(shortfall)	108,435,079.51	84,120,968.84	28,468,526.30	28,468,526.30

10. **Rate Impact Analysis.** The CAPEX Plan was envisioned to bring the most value to consumer's at the most reasonable and justifiable electricity rates. However, DASURECO does not intend to increase the RFSC rate thus, the cooperative will secure a loan from NEA, the project costs to be amortized at a maximum interest rate of six percent (6%) per annum for a period of ten (10) years. Amortization payments will be funded by the cooperative's RFSC.

The implementation of the proposed CAPEX projects has no rate impact as shown below.

RATE IMPACT CALCULATION

	2016	2017	2018	TOTAL
Forecasted energy sales, kWh	292,289,548	298,023,647	325,271,405	915,584,600
Cash balance beginning, PhP, excess/(shortfall)	91,011,646.84	108,435,079.51	84,120,968.84	91,011,646.84
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Cash balance ending, PhP, excess/(shortfall)	108,435,079.51	84,120,968.84	28,468,526.30	28,468,526.30
Excess/(shortfall) on RFSC, PhP/kWh	0.3710	0.2823	0.0875	0.0311

AUTHORITY TO SECURE LOAN FROM NEA

11. 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 from NEA.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

12. Applicant re-pleads the foregoing allegations as may be material herein;

13. As shown in the table of proposed projects, some of the projects require implementation while the instant application is pending evaluation of the Honorable Commission;

14. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;

15. In view thereof, applicant respectfully moves that it be permitted to implement said projects while the application is pending, 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.

**SUBMISSION OF DOCUMENTARY AND
PRE-FILING REQUIREMENTS**

16. Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 and as well as pre-filing requirements under the ERC Rules of Practice and Procedure, applicant is likewise submitting herewith the following documents, to wit:

	Nature of Document
Annex A	Executive Summary of the Distribution Development Plan for Years 2016-2018
Annexes B to B-1	Affidavit of Posting with Notice to Consumers
Annex C	Affidavit of Undertaking
Annex D	Supporting documents for the Application for Authority to Secure Loan from NEA
Annex E	Judicial Affidavit in Support of the Motion for Provisional Authority
Annexes F and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Digos City and Sangguniang Panlalawigan of Davao del Sur
Annexes G and series	Publication of the Application in a newspaper of general circulation within DASURECO's franchise area or where it principally operates, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, DASURECO respectfully prays of this Honorable Commission that:

1. During the pendency of the instant application, the cooperative be permitted to implement the proposed projects as any of which becomes urgently necessary under prevailing circumstances and to secure loan from the National Electrification Administration (NEA) to finance the same ; and

2. After due notice and hearing, the cooperative's Capital Expenditure Program for Years 2016 to 2018 as well authority to secure loan from NEA, be granted accordingly.

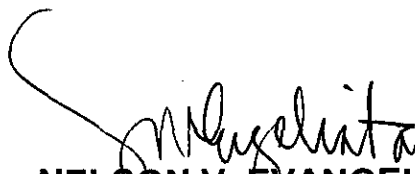
Other reliefs, just and equitable in the premises are likewise prayed for.

Pasig City; Metro Manila, September 15, 2017.

DECHAVEZ & EVANGELISTA LAW OFFICES¹

Counsel for the Applicant
Davao del Sur Electric Cooperative, Inc. (DASURECO)
Unit 2008 Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
Tel. Nos. 9101587; 6619357

By:



NELSON V. EVANGELISTA

Roll of Attorneys No. 38075

PTR No. 2535714, February 08, 2017, Pasig City

IBP Lifetime Member Roll No. 010192, Bulacan Chapter

MCLE Compliance No. V - 0008307; June 3, 2015

¹Pursuant to Office of the Court Administrator Circular No. 56-2015, hereunder are the MCLE Compliance Numbers of the undersigned Firm's name partners, to wit:

Partners	MCLE Compliance No.	Date of Issuance
Joseph Ferdinand M. Dechavez	V-0005240	Jan. 7, 2015
Nelson V. Evangelista	V-0008307	June 3, 2015

VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

ENGR. GODOFREDO N. GUYA, of legal age, Filipino and with office address at the main office of the Davao del Sur Electric Cooperative, Inc. (DASURECO), Cogon, Digos City, Davao del Sur, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Davao del Sur Electric Cooperative, Inc. (DASURECO), duly authorized to represent the cooperative in this application by corresponding Board Resolution attached hereto;

2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records;

3. DASURECO has not heretofore commenced any other action or proceedings involving the same issues and parties before any court, tribunal or quasi-judicial agency; to the best of my knowledge no such action or proceeding is pending, and if I should learn that the same or similar action or proceeding has been filed or is pending, I undertake to report such fact to this Honorable Commission, within five (5) days therefrom.

Further, affiant sayeth naught.

GODOFREDO N. GUYA
Affiant

09 OCT 2017

SUBSCRIBED AND SWORN to before me in Digos City, this ___ day of October 2017, by the affiant who exhibited to me his PRC License bearing No. 0005974 with validity until 2019.

Doc. No. 47 ;
Page No. 87 ;
Book No. 241 ;
Series of 2017.

Notary Public
ATTY BENEZEDICTO B. WONG
NOTARIAL COMMISSIONER
VALID UNTIL DECEMBER 2017
ROLL OF ATTORNEYS
IAP NUMBER 507-D.O. 26, 2012
PTR NO. 8743412 - JAN 10, 2017
*CLE COMPLIANCE NO. 001867-II-19 07