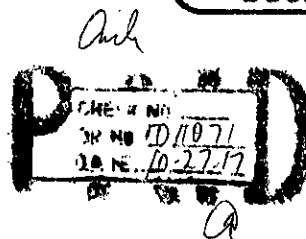
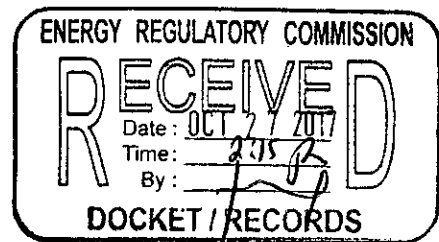


Republic of the Philippines  
ENERGY REGULATORY COMMISSION  
Pacific Center Building  
San Miguel Avenue, Pasig City

IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF  
CAPITAL EXPENDITURE  
PROGRAM FOR YEARS  
2016 TO 2019, WITH  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOAN FROM THE NATIONAL  
ELECTRIFICATION  
ADMINISTRATION AND  
MOTION FOR PROVISIONAL  
AUTHORITY



ERC CASE NO. 2017-102 RC

SOUTH COTABATO I  
ELECTRIC COOPERATIVE,  
INC. (SOCOTECO-I),  
Applicant.  
X-----X

**APPLICATION**  
**With Motion for Provisional Authority**

Applicant, **SOUTH COTABATO IELECTRIC COOPERATIVE, INC. (SOCOTECO-I)**, through counsel, unto this Honorable Commission, respectfully alleges, that:

**THE APPLICANT**

1. SOCOTECO-I 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. Morales, City of Koronadal, South Cotabato;

2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the City of Koronadal and certain municipalities of the Province of South Cotabato, namely: Tampakan, Tantangan, Banga, Surallah, T'Boli, Lake Sebu, Sto. Niño and Norala, as well as the Municipality of Lutayan, in the Province of Sultan Kudarat.

### **LEGAL BASES FOR THE APPLICATION**

3. The instant application is being filed for the Honorable Commission's consideration and approval of SOCOTECO-I's proposed Capital Expenditure (CAPEX) Projects for Years 2016 to 2019 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;

4. On the other hand, the accompanying application for authority to secure loan from the National Electrification Administration (NEA) in connection with the funding source for the proposed projects, 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 the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year.

### **THE PROPOSED PROJECTS**

5. SOCOTECO-I's proposed CAPEX Projects subject of the instant application are summarized hereunder, as follows:

<b>PROPOSED NETWORK RELATED PROJECTS</b>					
<b>Project Code</b>	<b>Project Type</b>	<b>Project Category</b>	<b>Project Title</b>	<b>Project Cost (PhP)</b>	<b>Year of Implementation</b>
N-01	Power Quality	Subtransmission Development	Construction of Double Circuit 69kV Sub-Transmission Line	98,569,125	2017
N-02	Safety	Subtransmission and Primary Distribution Development	Relocation of Subtransmission and Distribution Lines	32,543,681	2017-2018
N-03			Refurbishment of Sub-transmission and Distribution Line	19,420,827	2017-2019
N-04	Capacity	Primary Distribution Project-Contingency Project	Installation of 1MVA, 13.2/34.5kV Substation	6,282,114	2016

N-05	Reliability Improvement	Primary Distribution Project	Interconnection of Feeder 12 and Feeder 41	3,081,166	2018
N-06	Capacity	Primary and Secondary Line Distribution Project	Distribution Line Expansion	3,875,037	2018
N-07	Reliability Improvement	Reliability Improvement Projects	Installation of 69kV Load Break Switch	1,076,061	2018
N-08			Installation of Phase II-SCADA Facilities	24,909,567	2018
N-09	Capacity	Other Network Requirements - Distribution Transformers	Distribution Transformer Expansion Requirement	116,551,863	2017-2019
N-10	Capacity	Other Network Requirements – Metering Equipment	kWh-Meter Expansion Requirement	124,257,177	2017-2019
N-11	System Loss Reduction		Replacement of Defective Metering Facilities	22,530,410	2017-2019
N-12			Relocation of kWh-meters	10,106,820	2017-2019
N-13			Installation of Metering Totalizer	3,500,000	2018
N-14			Reliability Improvement	Buffer Stock	75,074,956
<b>Total</b>				<b>541,778,804</b>	
<b>PROPOSED NON-NETWORK RELATED PROJECTS</b>					
Project Code	Project Type	Project Category	Project Title	Project Cost (PhP)	Year of Implementation
NN-01	Non-Network Projects	Property/ Equipment/ Others	Structures and Improvements	36,603,632	2017-2018
NN-02			Backup Power Supply	2,000,000	2017
NN-03			Air Conditioning Units	1,032,150	2017
NN-04			Transportation Equipment	62,350,000	2017-2018
NN-05			Extension of Warehouse Facility	500,000	2017
NN-06			Purchase of Forklift Vehicle	1,000,000	2017
NN-07			Purchase of Motorpool Equipment	2,650,000	2017-2018
NN-08			Information System Equipment	48,570,100	2017-2019
NN-09			Purchase of Drive by Inspection System (DIS)	3,300,000	2017
NN-10			Automatic Integrated Transformer Test Bench and Portable Dielectric Oil Tester	3,541,856	2017
NN-11			Purchase of Portable Electricity Meter Test Equipment	2,800,000	2017
NN-12			Information Education Campaign (IEC) Equipment	4,470,000	2017-2018
<b>Total</b>				<b>168,817,738</b>	
<b>GRAND TOTAL</b>				<b>710,596,542</b>	

## THE CAPITAL EXPENDITURE PLAN

6. The proposed projects together with justifications are discussed in detail in the cooperative's Capital Expenditure Plan for Years 2016 to 2019 together with supporting data presented in ERC-specified templates.

### FINANCIAL AND ECONOMIC EVALUATION

7. **Financing Plan.** SOCOTECO-I's proposed projects will be financed partly with funds to be acquired through loans from the National Electrification Administration (NEA) and partly with its Reinvestment Fund for Sustainable Capital Expenditure (RFSC). Presented in the Table below are the CAPEX plan financiers to be pursued and the corresponding costs to be financed with moderate cost inflation factor of 3.5% to 5%, to wit:

Source of Funds	Annual Project Cost (PhP)				
	2016	2017	2018	2019	Total
RFSC		54,651,146	64,740,410	32,186,590	151,578,146
NEA Loan		360,168,905	125,999,907	66,567,470	552,736,282
General Fund	6,282,114				6,282,114
<b>Total</b>	<b>6,282,114</b>	<b>414,820,051</b>	<b>190,740,317</b>	<b>98,754,060</b>	<b>710,596,542</b>

8. **Cash Flow.** SOCOTECO-I's cash flow shows that it can viably pursue and implement the 3-year CAPEX Plan without necessarily resulting in significant increase in its electricity rates. The Table below presents its Annual CAPEX Budget, to wit:

Source of Funds	Annual Amortization/Financial Requirements (PhP)				
	2016	2017	2018	2019	Total
RFSC		54,651,146	64,740,410	32,186,590	151,578,146
NEA Loan		360,168,905	125,999,907	66,567,470	552,736,282
General Fund	6,282,114				6,282,114
<b>Sub-Total</b>	<b>6,282,114</b>	<b>414,820,051</b>	<b>190,740,317</b>	<b>98,754,060</b>	<b>710,596,542</b>
CAPEX Permit Fee	47,116	3,111,150	1,430,552	740,655	5,329,474
<b>Total CAPEX Plan Cost to Customers</b>	<b>6,329,230</b>	<b>417,931,201</b>	<b>192,170,869</b>	<b>99,494,715</b>	<b>715,926,016</b>

9. Further, the whole capital expenditure structure of SOCOTECO-I also considered previous indebtedness incurred in financing past capital projects outstanding as of December 31, 2016, such that including the amortization of the said indebtedness will have the cash flow shown in the Table below, as follows:

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

Particulars	2017	2018	2019	TOTAL
Revenue from RFSC	129,115,631	139,825,726	151,376,794	420,318,151
CAPEX Plan Internal Financing/RFSC	60,933,260	64,740,410	32,186,590	157,860,260
CAPEX Plan Amortization	31,553,240	86,657,319	97,425,984	215,636,544
CAPEX Permit Fee	9,312,065	1,482,098	779,299	11,573,463
<b>Sub-Total CAPEX Plan Cost</b>	<b>101,798,566</b>	<b>152,879,827</b>	<b>130,391,874</b>	<b>385,070,266</b>
Previous Loan Amortization	36,885,426	34,569,434	34,005,362	105,460,222
<b>Total CAPEX Plan Cost</b>	<b>138,683,991</b>	<b>187,449,261</b>	<b>164,397,236</b>	<b>490,530,489</b>
<b>Net Cash Flow</b>	<b>-9,568,360</b>	<b>-47,623,535</b>	<b>-13,020,442</b>	<b>-70,212,337</b>

10. **Rate Impact.** The CAPEX Plan is envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the most value to SOCOTECO-I's customers at the most reasonable and justifiable electricity rate or at the least cost of service. Presented in the Table below is the annual rate impact on the RFSC of the CAPEX Plan, to wit:

**EXCERPTS FROM CASH FLOW ANALYSIS SHOWING RATE IMPACT IN TERMS OF RATE PER KWH**

	2017	2018	2019	TOTAL
Forecasted energy sales, kWh	241,789,571	261,845,929	283,477,143	787,112,643
Cash balance beginning, PhP, excess/(shortfall)	60,609,035	51,040,675	3,417,139	60,609,035
<b>CASH INFLOWS</b>				
Current Year Collection @PhP0.5340/kWh	129,115,631	139,825,726	151,376,794	420,318,151
Loan Proceeds from Financial Institutions, PhP	360,168,905	125,999,907	66,567,470	552,736,282
Total Cash Inflows, PhP	489,284,536	265,825,633	217,944,264	973,054,433
Available Cash for Disbursement	<b>549,893,571</b>	<b>316,866,308</b>	<b>221,361,403</b>	<b>1,033,663,468</b>
<b>CASH OUTFLOWS</b>				
CAPEX requirement	414,820,051	190,740,317	98,754,060	704,314,428
General Fund Replenishment, (CAPEX 2016), PhP	6,282,114			6,282,114

Old Debt (old amortization)	36,885,426	34,569,434	34,005,362	105,460,222
New Amortization (new CAPEX), PhP	31,553,240	86,657,319	97,425,984	215,636,544
Guarantee Fee, PhP	64,448	51,546	38,644	154,637
ERC Permit Fee (previous CAPEX), PhP	6,089,351			6,089,351
ERC Permit Fee, PhP	3,158,266	1,430,552	740,655	5,329,474
<b>Total Cash Outflows, PhP</b>	<b>498,852,896</b>	<b>313,449,168</b>	<b>230,964,706</b>	<b>1,043,266,771</b>
Cash balance ending, PhP, excess/(shortfall)	51,040,675	3,417,139	(9,603,302)	(9,603,302)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	<b>0.2111</b>	<b>0.0131</b>	<b>(0.0339)</b>	<b>(0.0122)</b>

There is no rate impact shown for 2016 since the 2016 Project (Installation of 1MVA, 13.2/34.5kV Substation) is initially funded with the cooperative's General Fund, to be replenished with its RFSC in the succeeding year, 2017.

### **ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY**

11. Applicant respectfully repleads herein the foregoing allegations;

12. As shown in the Table on Paragraph 5 above, some of the proposed projects have schedules of commissioning which are expected to happen while the instant application is pending;

13. Furthermore, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed CAPEX projects;

14. In view thereof, applicant respectfully moves for a provisional authority while the instant application is pending, to implement any of the proposed projects as may become necessary and urgent under prevailing circumstances, as well as obtain loan from the NEA to finance the same, to enable the cooperative to deliver a safe, more reliable and efficient electric service to its consumers.

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

15. Finally, in compliance with the documentary as well as pre-filing requirements for the instant application, applicant is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Capital Expenditure Plan for Years 2016 to 2019
B to B-1	Affidavit of Posting of Notice to Consumers and the Notice to Consumers
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Supporting documents for the application for authority to secure loan from NEA
E	Judicial Affidavit in Support of the Motion for Provisional Authority
F and series	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Koronadal City and Sangguniang Panlalawigan of South Cotabato
G and series	Publication of the Application in a newspaper of general circulation within SOCOTECO-I's franchise area or where it principally operates, with Affidavit of Publication

## **PRAYER**

**WHEREFORE**, premises considered, it is respectfully prayed of this Honorable Commission that:

1. upon initial review of the instant application and pending evaluation hereof, SOCOTECO-I be provisionally permitted to implement any of the proposed projects as may be deemed necessary and urgent under prevailing circumstances, and to secure loan from the National Electrification Administration to finance the same; and

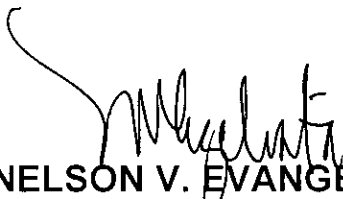
2. after due notice and hearing, the cooperative's proposed Capital Expenditure Projects for Years 2016 to 2019 as well as availment of loan from the National Electrification Administration to partly finance the same, be approved accordingly.

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

Pasig City, Metro Manila, August 14, 2017.

**DECHAVEZ & EVANGELISTA LAW OFFICES<sup>1</sup>**  
Counsel for the Applicant  
**SOUTH COTABATO I ELECTRIC COOPERATIVE, INC.**  
**(SOCOTECO-I)**  
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

<sup>1</sup>Pursuant 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. Raffee Edsel B. Epistola, of legal age, Filipino and with office address at the Main Office of the South Cotabato I Electric Cooperative, Inc. (SOCOTECO-I), after being sworn to according to law, depose and state that:

1. I am the OIC - General Manager of the SOCOTECO-I, duly authorized to represent the cooperative in filing the instant application, copy of the corresponding Board Resolution is attached hereto and made integral part hereof;

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;

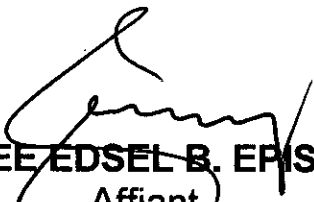
3. SOCOTECO-I has a pending application with the Energy Regulatory Commission (ERC) for approval of its Capital Expenditure Program for Years 2013-2016 under ERC Case No. 2013-188 RC. The Cooperative has filed in the said application a Motion to Withdraw seven (7) of the proposed projects, for purposes of inclusion in the instant Application for Approval of Capital Expenditure Program for Years 2016 to 2019. The 7 projects are as follows:

Project Title	Project Code	Project Year	Project Cost (PhP)
Relocation of existing 6.6km subtransmission line from Morales to Paraiso, Koronadal City	N-05	2014	15,840,000.00
Transfer of 13.2kV line to existing 69kV line along GenSan Drive, Koronadal City	N-08	2013	5,171,752.00
Software for Automated Meter Reading	NN-02	2014	2,000,000.00
Construction of Area 2 Satellite Office	NN-08	2014	4,500,000.00
Purchase of Mobile Van	NN-00	2015	3,000,000.00
Purchase of Porklift	NN-10	2013	1,000,000.00
Construction of ASD1 Office	NN-06	2014	15,500,000.00
			47,011,752.00

3. Except for the foregoing, SOCOTECO-I 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.

  
**RAFFEE EDSSEL B. EPISTOLA**  
Affiant

SUBSCRIBED AND SWORN to before me in Koronadal City this 5<sup>th</sup> day of August 2017, by the affiant who exhibited to me his PRC Professional License bearing No. 0023978 with validity until May 10, 2018.

Notary Public

Doc. No. 247 ;  
Page No. 50 ;  
Book No. 1 ;  
Series of 2017.

  
**ATTY. SYLVIE BLANCHE F. TANCOG**  
Notary Public  
Until December 31, 2017  
Roll No. 52622  
PTR No. 2189163, 1/3/17, Kor. City  
IBP No. 1053285, 1/6/17, G5C  
MCLE Comp. No. V-0614896, Valid Until 4/14/19  
Notarial Commission No. 435