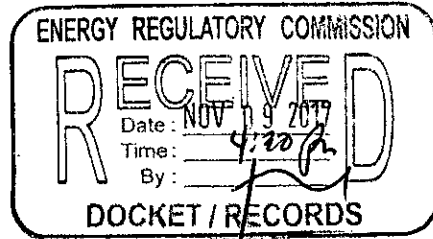


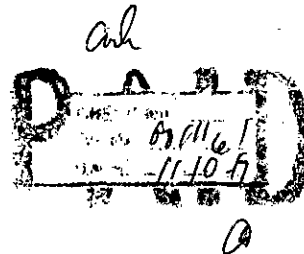
Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
ADDITIONAL CAPITAL
EXPENDITURE PROJECTS
FOR YEARS 2017 AND 2018,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION AND
PRAYER FOR PROVISIONAL
AUTHORITY



ERC CASE NO. 2017-104 RC

TARLAC IELECTRIC
COOPERATIVE, INC.
(TARELCO I),
Applicant.
X-----X



APPLICATION

with MOTION FOR PROVISIONAL AUTHORITY

Applicant, **TARLAC IELECTRIC COOPERATIVE, INC.**
(**TARELCO I** for brevity), through counsel, unto this Honorable
Commission, respectfully alleges, that:

THE APPLICANT

1. TARELCO 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 offices at Amacalan, Gerona, Tarlac;

2. It is engaged in the distribution electric light and power in the municipalities of Anao, Camiling, Gerona, Mayantoc, Paniqui, Pura, Moncada, Ramos, San Clemente, San Jose, San Manuel, Sta. Ignacia, and Victoria, in the Province of Tarlac; Barangays Batang Batang, Bora, Laoang, San Juan De Mata and Sto. Domingo of Tarlac City, Province of Tarlac; the municipalities of Cuyapo and Nampicuan, Province of Nueva Ecija; Barangays Maybubon, Agcano, Bagong Barrio, Bulakid, Caingin Tabing Ilog, San Agustin, Yuson, Lamorito and San Miguel of the municipality of Guimba, Province of Nueva Ecija, and Barangay Villa Rosa, municipality of Licab, likewise in the Province of Nueva Ecija.

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, TARELCO 1 seeks approval, confirmation and authority from this Honorable Commission to implement its proposed additional Capital Expenditure (CAPEX) Projects for Years 2017 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 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. On June 01, 2015, TARELCO I filed with the Honorable an application for approval of its proposed CAPEX Projects covering the period 2013 to 2018 based on identified and projected deficiencies in its distribution system as assessed during conduct of Distribution Planning Activities. Said Application was docketed as ERC Case No. 2015-105 RC;

6. However, the distribution planning was not able to accurately capture the entirety of the requirements of the cooperative for the projected years due to numerous factors beyond control during the conduct of distribution planning;

7. Furthermore, after filing said application, TARELCO I encountered and identified additional problems that need to be addressed in order to avoid a diminution of the quality of service being provided;

8. Thus, TARELCO I is filing the instant application for the approval of additional projects for years 2017 to 2018 which have not been included in the previously filed application under ERC Case No. 2015-105 RC;

THE PROPOSED PROJECTS

9. The proposed additional CAPEX projects are described hereunder, as follows:

Proposed Network CAPEX Projects					
No.	Project Type	Project Category	Project Description	Project Cost (Php)	Year of Implementation
1	Reliability	Subtransmission Project	Installation of 69 kV Line Fault Indicators	2,027,520.00	2018
2	Safety	Primary Distribution Project	Reconductoring/Rehabilitation of Backbone Line from Anao SS to San Julian, Moncada	9,883,224.60	2018
3	Capacity		Reconductoring/Rehabilitation of Backbone Line of Baculong Feeder	8,471,335.37	2018
4	Capacity		Conversion of V-phase Lines to 3-phase Lines	28,664,883.13	2017-2018
Total				49,046,963.11	
Proposed Non-Network CAPEX Projects					
No.	Project Type	Project Category	Project Description	Project Cost (Php)	Year of Implementation
1	Non-Network	Non-Network Requirements	Purchase of Microsoft Product Licenses	1,419,900.00	2017
2			Buy-out of Privately Funded Electrical Facilities	7,436,428.04	2017
3			Acquisition of Manlifts for Metering Maintenance, Inspection and kWh-meter Reading for Big Loads	15,360,000.00	2018
4			SCADA System Implementation Project for Amacalan Substation	10,752,000.00	2018
5			Computer System Upgrade	18,892,130.45	2017
6			Installation of Fix Type Industrial Grade Ceiling Fans on the Multi-Purpose Hall	1,843,200.00	2018
Total				55,703,658.49	
Grand Total				104,750,621.60	

FINANCIAL AND ECONOMIC EVALUATION

10. **Project Financing.** The financing of the CAPEX projects will be sourced partly from the cooperative's Reinvestment Fund for Sustainable Capital Expenditure (RFSC) and partly from avilment of loan from the National Electrification Administration (NEA)at 6.5 % interest rate per annum for a period of fifteen (15) years. The Table below shows the CAPEX projects financiers to be pursued and the corresponding costs to be financed.

SOURCES OF FUND	TOTAL (PhP)	ANNUAL PROJECT COST (PhP)			
		2015	2016	2017	2018
RFSC	254,152,381	58,857,833	61,889,115	65,050,484	68,354,949
NEA Loan	589,569,597			427,781,476	161,788,121
TOTAL	834,721,978	58,857,833	61,889,115	492,831,960	230,143,070

11. **Cash Flow.** TARELCO I's cash flow shows that it can viably pursue and implement the CAPEX projects without necessarily causing a significant increase in its electricity rates. The Table below shows its Annual CAPEX Budget, to wit:

SOURCES OF FUND	TOTAL (PhP)	Annual Amortization/Financial Requirements (PhP)		
		2017	2018	2019
RFSC				
NEA Loan	160,738,155	46,934,025	56,902,065	56,902,065
TOTAL	160,738,155	46,934,025	56,902,065	56,902,065

12. Further, the whole capital expenditure structure of TARELCO I also considered previous indebtedness incurred in financing past CAPEX projects outstanding as of year 2016, such that including the amortization of 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**

	2015	2016	2017	2018	TOTAL
Revenue from RFSC	58,857,833	61,889,115	65,050,484	68,354,949	254,152,381
Cash balance beginning, PhP, excess/(shortfall)	3,047,373	(5,825,652)	(222,227,370)	47,432,765	3,047,373
Loan proceeds from financial institutions, PhP			427,781,476	161,788,121	589,569,597
CAPEX Plan Internal Financing/ RFSC					
CAPEX Plan Amortization			46,934,024	56,902,064	103,836,088
ERC Permit Fee	243,966	1,223,635	1,132,408	1,213,411	3,813,420
Sub-Total CAPEX Plan Cost	32,528,767	244,264,925	150,987,784	161,788,121	589,569,597
Previous Loan Amortization -	35,598,862	33,443,010	24,758,344	24,758,344	118,558,560
Total CAPEX Plan Cost	32,772,733	245,488,559	152,120,193	163,001,532	593,383,017
Net Cash Flow	(5,825,652)	(222,227,370)	47,432,765	33,554,631	33,554,631

13. **Rate Impact Analysis.** The CAPEX Plan was envisioned to bring the most value to consumers at the most reasonable and justifiable electricity rates, such that the implementation of the proposed projects will have a reasonable rate impact of PhP0.0193 per kWh, as shown in the Table below, to wit:

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

	2017 (PhP)	2018 (PhP)	2019 (PhP)	2020 (PhP)	2021 (PhP)	TOTAL (PhP)
Forecasted Energy Sales kWh	224,003,044	235,382,055	247,299,000	259,798,000	272,924,000	1,239,406,099
Cash Beginning Balance	17,081,251	8,480,094	(5,398,040)	(14,976,783)	(20,964,781)	17,081,251
CASH INFLOWS						
Current Year Collection						
@ PhP0.2904/ kWh	65,050,484	68,354,949	71,440,929	75,031,675	78,032,942	357,910,979
50% of Income on Leased Properties	640,737	640,737	640,737	640,737	640,737	3,203,684
Loan Proceeds from Financial Institutions	427,781,476	161,788,121	-	-	-	589,569,597
Total Cash Inflows	493,472,697	230,783,807	72,081,666	75,672,412	78,673,679	950,684,260
Available Cash for Disbursement	510,553,948	239,263,901	66,683,626	60,695,628	57,708,898	967,765,511

said projects as may be deemed necessary and urgent under the 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

18. Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 as well as pre-filing requirements under the ERC Rules of Practice and Procedure, TARELCO I is submitting herewith the following documents which are being made integral parts hereof as follows, to wit:

	Nature of Document
Annex A	Executive Summary of the proposed projects
Annex B	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
Annexes C to C-1	Affidavit of Posting/Proof of Public Information Dissemination and Notice to Consumers
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 of copies of the Application to the Sangguniang Bayan of Gerona and Sangguniang Panlalawigan of Tarlac
Annexes G and series	Publication of the Application in a newspaper of general circulation within TARELCO I's franchise area, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, applicant Tarlac I Electric Cooperative, Inc. (TARELCO I) respectfully prays of this Honorable Commission that:

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

2. after due notice and hearing, the cooperative's proposed additional Capital Expenditure Projects for Years 2017 and 2018 be granted and the loan being secured from NEA to finance some of the projects be authorized and approved accordingly.

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

Pasig City, Metro Manila, August 15, 2017.

DECHAVEZ & EVANGELISTA LAW OFFICES¹

Counsel for the Applicant

Tarlac 1 Electric Cooperative, Inc. (TARELCO 1)

Unit 2008, Tycoon Centre

Pearl Drive, Ortigas Center, Pasig City 1605

Tel. Nos. 9101587; 6619357

By:

JEREMIAH D. FRANCISCO

Roll of Attorneys No. 62302

PTR No. 2535282, January 16, 2017, Pasig City

IBP No. 1064236, January 16, 2017, RSM

MCLE Compliance No. V – 0016881 – March 16, 2016

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

Mr. Allan G. Bermudez, of legal age, Filipino and with office address at the main office of the Tarlac 1 Electric Cooperative, Inc. (TARELCO 1), Amacalan, Gerona, Tarlac, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Tarlac 1 Electric Cooperative, Inc. (TARELCO 1), duly authorized to represent the cooperative in filing the instant application as evidenced by the corresponding Board Resolution 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; and

3. TARELCO 1 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.


ALLAN G. BERMUDEZ
Affiant

SUBSCRIBED AND SWORN to before me in TARLAC CITY, this 20th day of September 2017 by the affiant who exhibited to me his SSS I.D. bearing No. 03-8605391-7.


ATTY. MARCOS D. ALFONSO
NOTARY PUBLIC
UNTIL ~~Notary Public~~
PTP No. 9851391-G1703/2017-TARLAC
IBP LIFETIME MEMBER No. 04443
ROLL OF ATTORNEY No. 42436
MGLE COMPLIANCE No. V-0019242

Doc. No. 459 ;
Page No. 93 ;
Book No. 79 ;
Series of 2017.