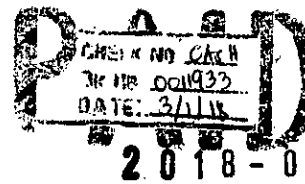
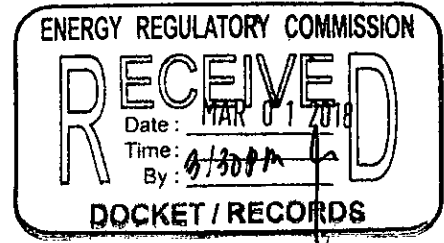


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
CAPITAL EXPENDITURE
PROGRAM FOR YEARS 2018-
2020, WITH APPLICATION
FOR AUTHORITY TO
SECURE LOAN FROM THE
NATIONAL
ELECTRIFICATION
ADMINISTRATION AND
MOTION FOR PROVISIONAL
AUTHORITY



ERC CASE NO. _____ RC

SURIGAO DEL SUR I
ELECTRIC COOPERATIVE,
INC. (SURSECO I),
Applicant.

X-----X

APPLICATION
WITH MOTION FOR PROVISIONAL AUTHORITY

Applicant, **SURIGAO DEL SUR I ELECTRIC COOPERATIVE, INC. (SURSECO I)**, through counsel, unto this Honorable Commission, respectfully alleges, that:

THE APPLICANT

1. Applicant 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 San Fernando, Bislig City, Surigao del Sur.

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the City of Bislig and certain municipalities in the Province of Surigao del Sur, namely: Barobo, Tagbina, Hinatuan and Lingig.

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, SURSECO I seeks approval, confirmation and authority from this Honorable Commission to implement its proposed Capital Expenditure (CAPEX) Program for Years 2018 - 2020.

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.

THE PROPOSED PROJECTS

5. SURSECO I's proposed CAPEX Projects subject of the instant Application are summarized hereunder, as follows:

Proposed projects		Cost			
No.	Title	2018	2019	2020	Total
1	Relocation of Barobo 5 MVA substation.	21,470,436.65			21,470,436.65
2	Procurement of Engineering Analytical Software.		1,500,000.00		1,500,000.00
3	Replacement of Rotten Poles and Aged Line Accessories	4,500,000.00	4,500,000.00	4,500,000.00	13,500,000.00
4	Procurement and Installation of 1 unit 69KV deadtank circuit breaker for Barobo Substation.	2,700,000.00			2,700,000.00
5	Replacement of defective and overloaded Distribution transformers.	2,511,500.00	2,050,000.00	4,079,650.00	8,641,150.00
6	Upgrading of San Fernando Substation from 5MVA to 10 MVA.	14,425,000.00			14,425,000.00

7	Procurement of KHW meter and Service drop wire for new connection.	2,619,560.00	3,661,570.00	3,922,750.00	10,203,880.00
8	Construction of 69KV line & Installation of 5MVA Tagasaka Substation		38,023,448.30		38,023,448.30
9	Extension of primary and Secondary line	1,500,000.00	1,500,000.00	1,500,000.00	4,500,000.00
10	Sitio Electrification Program	33,940,379.86			33,940,379.86
11	Upgrading of Selected Primary Lines from Bare to Insulated.	8,000,000.00	6,000,000.00	5,000,000.00	19,000,000.00
12	Conversion of Feeder 1 backbone line structures.	10,195,640.30			10,195,640.30
13	Contingency & Buffer Stock	3,000,000.00		4,000,000.00	7,000,000.00
14	Installation of Underground Cable.	2,000,000.00			2,000,000.00
15	Replacement of Inefficient and defective KWH meters.	3,000,000.00	3,000,000.00	3,000,000.00	9,000,000.00
16	Distribution Systems Automation		10,000,000.00	10,000,000.00	20,000,000.00
17	Relocation of NGCP metering from Tabon Substation to the Substation connection point.		4,500,000.00		4,500,000.00
18	Logistics and Supports	48,713,040.00	1,615,600.00		50,328,640.00
19	Infrastructure development	41,500,000.00	17,000,000.00	3,000,000.00	61,500,000.00
Grand Total		200,075,556.81	93,350,618.30	39,002,400.00	332,428,575.11

CAPITAL EXPENDITURE PLAN

5. The proposed projects together with justifications are discussed in detail in SURSECO I's Executive Summary with technical and financial analysis and supporting data presented in ERC-specified templates.

FINANCIAL AND ECONOMIC EVALUATION

6. **Financing Plan.** SURSECO I's proposed projects will be financed partly through a loan from NEA. The Table below shows the CAPEX Plan financiers to be pursued and the corresponding costs to be financed.

Source of Funds	Project Cost to be financed	2018	2019	2020
NEA	298,488,195.25	166,135,176.95	93,350,618.30	39,002,400.00

7. **Cash Flow.** As shown in the following table, SURSECO l's cash flow shows that it can viably pursue and implement the 5-year CAPEX Plan without necessarily effecting a significant increase in its electricity rates. For the years 2018, 2019 and 2020, it shows that there is a minimal indicative additional rate requirement to cover the costs of the proposed projects, new loan annual amortization, and filing fees.

Source of Funds	2018	2019	2020	Total
NEA	16,874,966.24	26,356,934.84	30,318,553.30	73,550,454.37
Permit Fee	1,246,013.83	700,129.64	292,518.00	2,238,661.46
Total CAPEX Plan Cost to Customers	18,120,980.06	27,057,064.48	30,611,071.30	75,789,115.84

8. In addition, a previous loan from NEA with the outstanding balance as of 2017 was also considered.

Particulars	2018	2019	2020	TOTAL
Revenue from RFSC	25,774,674.41	27,288,987.57	29,013,768.18	82,077,430.16
CAPEX Plan Amortization	16,874,966.24	26,356,934.84	30,318,553.30	73,550,454.37
Permit fee	1,246,013.83	700,129.64	292,518.00	2,238,661.46
Previous Loan Amortization	11,084,234.00	10,599,732.00	8,696,760.00	30,380,726.00
Total CAPEX Plan Cost	29,205,214.06	37,656,796.48	39,307,831.30	106,169,841.84
Net Cash Flow	(3,430,539.65)	(10,367,808.91)	(10,294,063.12)	(24,092,411.68)

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

	2018	2019	2020	2021	2022	TOTAL
Forecasted energy sales, kWh	66,363,210	70,262,180	74,703,050	79,704,010	85,288,020	376,320,470.00
Cash balance beginning, PhP, excess/(shortfall)	-	(3,050,916.54)	(13,039,102.33)	(22,953,542.32)	(32,155,631.42)	-
CASH INFLOWS						
current year collection @PhP0.4004/kWh	25,774,674.41	27,288,987.57	29,013,768.18	30,956,081.04	33,124,843.51	146,158,354.70

at 97% collection efficiency						
loan proceeds from financial institutions, PhP	166,135,176.95	93,350,618.30	39,002,400.00			298,488,195.25
50% of income on leased properties	379,623.12	379,623.12	379,623.12	379,623.12	379,623.12	1,898,115.60
Total Cash Inflows, PhP	192,289,474.48	121,019,228.99	68,395,791.30	31,335,704.16	33,504,466.63	446,544,665.55
Available cash for disbursement	192,289,474.48	117,968,312.45	55,356,688.97	8,382,161.83	1,348,835.21	446,544,665.55
CASH OUTFLOWS						
CAPEX requirement	166,135,176.95	93,350,618.30	39,002,400.00	-	-	298,488,195.25
old debt (old amortization)	11,084,234.00	10,599,732.00	8,696,760.00	10,219,239.96	10,396,167.96	50,996,133.92
new amortization (new CAPEX), PhP	16,874,966.24	26,356,934.84	30,318,553.30	30,318,553.30	30,318,553.30	134,187,560.96
ERC Permit Fee, PhP	1,246,013.83	700,129.64	292,518.00	-	-	2,238,661.46
Total Cash Outflows, PhP	195,340,391.01	131,007,414.78	78,310,231.30	40,537,793.26	40,714,721.26	485,910,551.60
Cash balance ending, PhP, excess/(shortfall)	(3,050,916.54)	(13,039,102.33)	(22,953,542.32)	(32,155,631.42)	(39,365,886.05)	(39,365,886.05)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0460)	(0.1856)	(0.3073)	(0.4034)	(0.4616)	(0.1046)

AUTHORITY TO SECURE LOAN FROM NEA

10. As shown above, the proposed projects shall be financed through a loan from NEA considering that SURSECO I's Reinvestment Fund is not readily available and therefore cannot finance the implementation of the proposed projects as planned. In view thereof, SURSECO I hereby applies for authority from the Honorable Commission to secure said loan from NEA.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

11. Applicant repleads the foregoing allegations as may be material herein.

12. As shown in the table of proposed projects, some of the projects may require implementation while the instant Application is pending evaluation of the Honorable Commission.

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

14. In view of the foregoing, Applicant respectfully moves for the issuance of a provisional authority while the application is

pending, to implement those projects and secure loan from NEA to finance the same, as may be deemed necessary and urgent under prevailing circumstances, to enable SURSECO I to deliver a safe, efficient and more reliable 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 likewise submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Executive Summary on the Proposed Projects with supporting data in ERC-specified templates
B B-1	Affidavit of Posting Notice on the Proposed Projects
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 to F-1	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Bislig and Sangguniang Panlalawigan of Surigao del Sur
G to G-2	Publication of the Application in a newspaper of general circulation in SURSECO I's franchise area or where it principally operates, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, Applicant SURSECO I respectfully prays of this Honorable Commission that:

1. Upon initial review of the instant Application and pending evaluation thereof, SURSECO I be granted provisional authority to implement any of the proposed projects as well as secure loan from NEA to finance the same, as may be deemed necessary and urgent under specific circumstances; and

2. After due notice and hearing, SURSECO I's proposed Capital Expenditure Program for Years 2018-2020 be approved and the loan being secured from NEA to finance some of the projects be authorized and approved accordingly.

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

Pasig City, Metro Manila, February 8, 2018.

**DECHAVEZ LERIOS-AMBOY AND EVANGELISTA
LAW OFFICES¹**

Counsel for Applicant Surigao del Sur I
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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, valid until April 14, 2019

¹ 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
Ditas A. Lerios-Amboy	V- 0016672	March 16, 2016
Nelson V. Evangelista	V-0008307	June 3, 2015

Republic of the Philippines)
BISLIG CITY) S.S.

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, JOCELER M. MORALDA, of legal age, Filipino and with office address at main office of the Surigao del Sur I Electric Cooperative, Inc. (SURSECO I), San Fernando, Bislig City, Surigao del Sur, after being sworn to according to law, depose and state that:

1. I am the General Manager of SURSECO I, duly authorized to represent the cooperative in filing the instant Application, copy of the corresponding Board Resolution is attached to the application 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. SURSECO 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.


JOCELER M. MORALDA
Affiant

SUBSCRIBED AND SWORN to before me in Bislig City, this 09 day of February 2018 by the Affiant who exhibited to me his SSS ID bearing No. 09-1110030-3.


ATTY. FLORANTE CLOD T. SANICO
Notary Public - Bislig City
Notary Public

Commission Expires on Dec. 31, 2019
PTR No. 0138026 / 01-03-18
TIN: 933-686-076

Doc. No. 01 ;
Page No. 01 ;
Book No. 95 ;
Series of 2018.