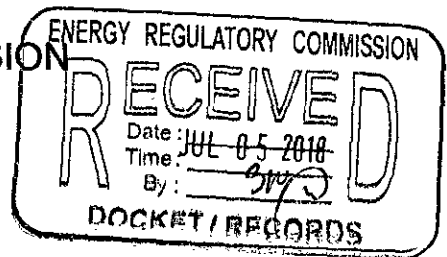
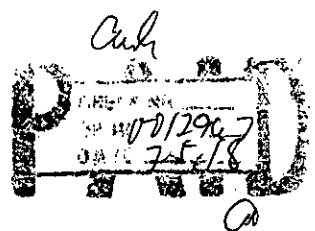
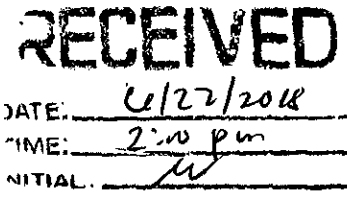


Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City



IN THE MATTER OF THE APPLICATION FOR APPROVAL OF CAPITAL EXPENDITURE PROJECTS FOR 2018 TO 2019, WITH APPLICATION FOR AUTHORITY TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA) AND MOTION FOR PROVISIONAL AUTHORITY

PROVINCE OF CAPIZ
MUNICIPALITY OF PANITAN
SANGGUNIANG BAYAN



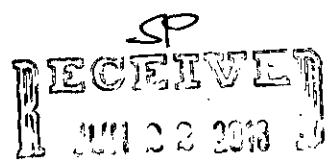
2018-072

ERC CASE NO. _____ RC

CAPIZ ELECTRIC COOPERATIVE, INC. (CAPELCO),

Applicant.

X-----X



APPLICATION

With Motion for Provisional Authority

Applicant, **CAPIZ ELECTRIC COOPERATIVE, INC. (CAPELCO)**, through counsel, unto this Honorable Commission, respectfully alleges, that:

THE APPLICANT

1. CAPELCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal office at the Brgy. Timpas, Panitan, Capiz;

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 Roxas and the municipalities of Cuartero, Dao, Dumarao, Dumalag, Ivisan, Jamindan, Maayon, Mambusao, Panitan, Panay, Pontevedra, President Roxas, Pilar, Sapián, Sigma and Tapaz, all in the Province of Capiz,.

LEGAL BASES FOR THE APPLICATION

3. The instant application is being filed for the Honorable Commission's consideration and approval of CAPELCO's proposed Capital Expenditure (CAPEX) Projects for 2018 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. The proposed CAPEX Projects subject of the instant application are presented hereunder, as follows:

Project Code	Project Type	Project Category	Project Description	Project Cost (PhP)	Project Schedule
SS-01	Capacity	Substation Project	Construction of 20/25 MVA Burgos Substation	76,769,589.16	2018
SS-02	Capacity	Substation Project	Energization of Idle 10 MVA Power Transformer of Panitan Substation and Installation of Additional Protection of the Existing 10 MVA Power Transformer	5,655,000.00	2018
SS-03	Capacity	Substation Project	Refurbishment of Idle 10 MVA Power Transformer	3,290,000.00	2018

NN-01	Non-Network	Office Building Project	Construction of Roxas City Area Office and Main Office Building	40,000,000.00	2018 - 2019
NN-02	Non-Network	Automation Project	Supervisory Control and Data Acquisition System (SCADA) for the Automation of the Proposed Burgos Substation	3,675,000.00	2018
Total				129,389,589.16	

FINANCIAL AND ECONOMIC EVALUATION

6. **Financing.** The whole project cost for the proposed projects in the amount of PhP129,389,589.16 will be financed through a loan from the National Electrification Administration (NEA) at an interest rate of six percent (6%) per annum, payable in ten (10) years.

7. **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	2018	TOTAL (PhP)
National Electrification Administration (NEA)	129,389,589.16	129,389,589.16
CAPEX Permit Fee	970,421.92	970,421.92
TOTAL CAPEX Plan Cost to Member-Consumer Owners	130,360,011.08	130,360,011.08

8. **Cash Flow.** CAPELCO's cash flow shows that it can viably pursue and implement the proposed projects and will determine the sufficiency of its Reinvestment Fund for Sustainable Capital Expenditure (RFSC) Rate. The Cooperative also considered in the whole capital expenditure structure previous indebtedness incurred in financing past capital expenditure projects outstanding as of year 2017, 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

PARTICULAR	2018	2019	2020	2021	2022	TOTAL
Forecasted energy sale, kvh	217,949,448.49	232,611,619.63	247,337,582.23	262,109,938.61	276,917,090.33	1,236,925,679.30
Cash balance beginning, Php, excess / (shortfall)	26,474,775.94	50,087,531.81	78,445,485.53	112,916,207.77	155,499,242.50	
CASH INFLOWS						
Current year collection @ PhP0.2904 / kvh	63,292,519.84	67,550,414.34	71,826,833.88	76,116,726.17	80,416,723.03	359,203,217.27
From RFSC Fund						
50% of income from leased properties	1,589,822.00	1,669,313.10	1,752,778.76	1,840,417.69	1,932,438.58	8,784,770.13
loan proceeds from financial institutions , Php	129,389,589.16					129,389,589.16
Government subsidy						
Total Cash Inflows, php	194,271,931.00	69,219,727.44	73,579,612.64	77,957,143.86	82,349,161.61	497,377,576.56
Available cash for disbursement	220,746,706.94	119,307,259.25	152,025,098.17	190,873,351.63	237,848,404.11	497,377,576.56
CASH OUTFLOWS						
CAPEX Requirement	129,389,589.16					129,389,589.16
new amortization , php	17,300,475.82	17,300,475.82	17,300,475.82	17,300,475.82	17,300,475.82	86,502,379.10
Amortization of old debts and approved CAPEX, Php	22,998,688.23	23,561,297.90	21,808,414.58	18,073,633.31	5,637,714.12	92,079,748.14
ERC Permit Fee, PhP	970,421.92					
Total Cash Outflows, php	170,659,175.13	40,861,773.72	39,108,890.40	35,374,109.13	22,938,189.94	307,971,716.40
Cash balance ending, PhP, excess / (shortfall)	50,087,531.81	78,445,485.53	112,916,207.77	155,499,242.50	214,910,214.17	189,405,860.15

9. 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 CAPELCO's Member-Consumer Owners 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 cooperative's RFSC of the CAPEX Plan, to wit:

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

PARTICULAR	2018	2019	2020	2021	2022	TOTAL
Forecasted energy sale, kwh	217,949,448.49	232,611,619.63	247,337,582.23	262,109,938.61	276,917,090.33	1,236,925,679.30
Cash balance beginning, Php. excess / (shortfall)	26,474,775.94	50,087,531.81	78,445,485.53	112,916,207.77	155,499,242.50	
CASH INFLOWS						
Current year collection @ PhP0.2904 / kwh	63,292,519.84	67,550,414.34	71,826,833.88	76,116,726.17	80,416,723.03	359,203,217.27
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loan proceeds from financial institutions , Php	129,389,589.16					129,389,589.16
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Total Cash Inflows, Php	194,271,931.00	69,219,727.44	73,579,612.64	77,957,143.86	82,349,161.61	497,377,576.56
Available cash for disbursement	220,746,706.94	119,307,259.25	152,025,098.17	190,873,351.63	237,848,404.11	497,377,576.56
CASH OUTFLOWS						
CAPEX Requirement	129,389,589.16					129,389,589.16
new amortization , Php	17,300,475.82	17,300,475.82	17,300,475.82	17,300,475.82	17,300,475.82	86,502,379.10
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Cash balance ending, Php, excess / (shortfall)	50,087,531.81	78,445,485.53	112,916,207.77	155,499,242.50	214,910,214.17	189,405,860.15
Excess / (shortfall) on RFSC, Php/kWh	0.2298	0.3372	0.4565	0.5933	0.7761	0.1531
Existing	(0.2904)	(0.2904)	(0.2904)	(0.2904)	(0.2904)	(1.4520)
Total Indicative Rate Impact	(0.0606)	0.0468	0.1661	0.3029	0.4857	0.9409

APPLICATION FOR AUTHORITY TO SECURE LOAN FROM NEA

10. As shown above, the proposed projects shall be financed 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

11. Applicant respectfully re-pleads herein the foregoing allegations;

12. As shown in the Table on Paragraph 5 above, the proposed projects are scheduled for immediate commissioning;

PRAYER

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

1. upon initial review of the instant application, CAPELCO be permitted to implement the proposed projects as deemed necessary and urgent under the circumstances, and to secure a loan from the National Electrification Administration to finance the same; and

2. after due notice and hearing, CAPELCO's proposed Capital Expenditure Projects for 2018-2019 as well as availment of loan from the National Electrification Administration to finance the same, be approved accordingly.

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

Pasig City, Metro Manila, June 18, 2018.

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

Counsel for the Applicant
CAPIZ ELECTRIC COOPERATIVE, INC. (CAPELCO)
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. 3897264, January 16, 2018, Pasig City
IBP Lifetime Member No. 018969, RSM
MCLE Compliance No. V Cert. No. 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

I, Edgar D. Diaz, of legal age, Filipino and with office address at the Main Office, Capiz Electric Cooperative, Inc. (CAPELCO), Timpas, Panitan, Capiz, after being sworn to according to law, depose and state that:

1. I am the General Manager of the Capiz Electric Cooperative, Inc. (CAPELCO), 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. CAPELCO 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 Honourable Commission, within five (5) days therefrom.

Further, affiant sayeth naught.


EDGAR D. DIAZ
Affiant

SUBSCRIBED AND SWORN to before me in Roxas City,
this 20 day of June 2018, by the affiant who exhibited to me his PRC
License bearing No. 0007541 with validity until 2020

Notary Public

Doc. No. 231 ;
Page No. 48 ;
Book No. III ;
Series of 2018.

