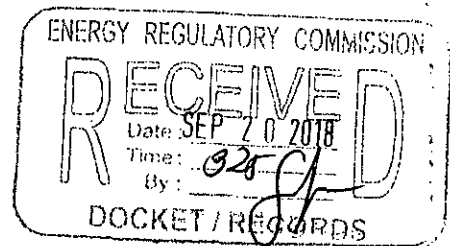


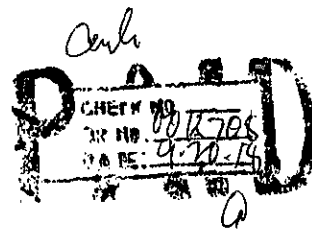
Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF FORCE
MAJEURE EVENT CAPITAL
EXPENDITURE PROJECT, RE:
REPLACEMENT OF UTILIZED
DISTRIBUTION LINE
MATERIALS AND EQUIPMENT,
SERVICE DROP WIRES AND
KWH METERS; REPLACEMENT
OF SF6 BREAKER, OFFICE
FACILITIES, FURNITURES AND
EQUIPMENT; AND
CONSTRUCTION OF NEW MAIN
OFFICE BUILDING DUE TO
DAMAGE CAUSED BY
TROPICAL DEPRESSION
AURING AND 6.7 MAGNITUDE
EARTHQUAKE



2018-095
ERC CASE NO. _____ RC

SURIGAO DEL NORTE
ELECTRIC COOPERATIVE,
INC. (SURNECO),
Applicant.
X-----X



APPLICATION

**APPLICANT SURIGAO DEL NORTE ELECTRIC
COOPERATIVE, INC. (SURNECO),** by counsel and to this
Honorable Commission, most respectfully alleges that:

THE APPLICANT

1. SURNECO 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 Narciso corner Espina Sts., Surigao City;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in Surigao City as well as certain municipalities in the province of Surigao del Norte, namely: Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Taganaan and Tubod.

THE LEGAL BASIS FOR THE APPLICATION

3. The instant Force Majeure Capital Expenditure (CAPEX) Application is being filed pursuant to Section 3.3 of ERC Resolution No. 26 Series of 2009, which provides that if a Force Majeure or Fortuitous Event, as the case may be, occurs, the regulated entity shall seek the Commission's confirmation of the implementation of capital expenditure projects arising from such event.

THE FORCE MAJEURE EVENTS (Tropical Depression Auring and 6.7 Magnitude Earthquake)

4. On January 8, 2017, Tropical Depression Auring made a landfall in the island of Siargao, Surigao del Norte. Storm Signal No. 1 was hoisted over several areas in Western and Southern Visayas, and the northeastern part of Mindanao which includes the Province of Surigao del Norte where SURNECO's franchise area is located. These areas affected by Typhoon Depression Auring experienced floods and landslides that caused damage to some of the distribution lines and other facilities of SURNECO in several barangays of Surigao City and some barangays in three (3) municipalities, namely: Placer, Tagana – an, and Malimono.

5. On February 10, 2017, following the disastrous Tropical Depression Auring, a magnitude of 6.7 earthquake struck the Province of Surigao del Norte in Northeastern Mindanao and the entire Province of Surigao del Norte was declared under a state of calamity.

6. The total cost of damage from Tropical Depression Auring and the 6.7 magnitude earthquake on the distribution lines, equipment and other facilities of SURNECO, including the construction of its new main office building is in the amount of Sixty Five Million Seven Hundred Three Thousand Seven Hundred Sixty Nine Pesos and 4/100 (PhP 65,703,769.04).

DESCRIPTION OF THE PROJECT

7. The Force Majeure CAPEX Project subject of the instant application is for the immediate replacement of the distribution line materials and equipment as well as service drop wires, kWh meters and metering facilities utilized in the reconstruction, repair and rehabilitation of the damaged network assets, the procurement and installation of SF6 Breaker (primary protection) for the 10 MVA Tubod Substation, the replacement of damaged office facilities, furniture and equipment, and construction of new Main Office Building, as a result of the damage caused by Tropical Depression Auring and the 6.7 magnitude earthquake.

PROJECT COST

8. The total cost of the project is Sixty Five Million Seven Hundred Three Thousand Seven Hundred Sixty Nine Pesos and 4/100 (PhP 65,703,769.04).

PROJECT SCHEDULE

9. The restoration of SURNECO's facilities had already been completed and in this application, the cooperative only seeks the replacement of the distribution line materials and equipment as well as service drop wires, kWh meters and metering facilities utilized in the reconstruction, repair and rehabilitation of network assets.

10. With respect to the replacement of SF6 Breaker (Primary Protection) for the 10 MVA Tubod Substation damaged by the 6.7 magnitude earthquake, the works will take about 190 days.

11. The construction of the cooperative's new main office building as a result of the total damage caused by the 6.7 magnitude earthquake on the existing office building would take about 400 calendar days.

JUSTIFICATIONS OR BENEFITS DELIVERED

12. The project ensured power restoration in the entire coverage area of SURNECO and delivery of more reliable and efficient service to its consumers. It was also intended to restore the safety and protection of the cooperative's entire distribution system.

PROJECT FINANCING PLAN

13. The total cost of the project shall be funded partly through a Calamity Loan from the National Electrification Administration (NEA) and partly through loans from other financing institutions.

INDICATIVE RATE IMPACT

14. There shall be no increase in the Reinvestment Fund for Sustainable Capital Expenditure (RFSC) Rate in the implementation of the force majeure CAPEX project. The table below shows the Cash Flow Analysis of the RFSC for years 2018 -2022, to wit:

	2018	2019	2020	2021	2022	TOTAL
Forecasted Energy Sales, kWh	142,173,419	151,922,261	161,765,334	171,610,350	181,397,347	808,868,711
Cash Balance beginning, Php, excess(shortfall)	48,688,252	62,022,125.58	73,290,445.77	89,075,958.79	109,369,154.83	382,445,937
CASH INFLOWS						
Project RFSE Revenue @0.2508Php/kWh	35,657,093.49	38,102,103.06	40,570,745.77	43,039,875.78	45,494,454.63	202,864,272.72
Loan Proceeds from Financial Institutions, Php		65,703,769.04				65,703,769.04
Government Subsidy						
Total Cash Inflows,Php	35,657,093.49	103,805,872.10	40,570,745.77	43,039,875.78	45,494,454.63	268,568,041.76
Available Cash for Disbursement	84,345,345.64	165,827,997.68	113,861,191.54	132,115,834.57	154,863,609.46	651,013,978.88
Cash Outflows						
CAPEX requirement		65,703,769.04				65,703,769.04
Old Debt(old amortization)	22,323,220.05	21,195,452.58	20,432,270.00	18,393,716.98	12,527,006.62	94,871,666.22
Fortuitous CAPEX - NEA Calamity Fund 3.25%		1,814,617.13	1,814,617.13	1,814,617.13	1,814,617.13	7,258,468.54
Fortuitous CAPEX -DBP 5%		2,538,345.62	2,538,345.62	2,538,345.62	6,647,711.46	14,262,748.33
For registration of Loan Agreement		299,811.00				299,811.00
For Documentatay Stamp Tax		492,778.27				492,778.27
ERC Permit Fee, Php		492,778.27				492,778.27
Total Cash Outflows, Php	22,323,220.05	92,537,551.91	24,785,232.75	22,746,679.74	20,989,335.22	183,382,019.66
Cash balance ending, Php, excess/(shortfall)	62,022,125.58	73,290,445.77	89,075,958.79	109,369,154.83	133,874,274.24	467,631,959.22
Excess/(shortfall) on RFSC, Php/kWh	0.44	0.48	0.55	0.64	0.74	0.58

SUBMISSIONS

15. Finally, in support of the instant application as well as compliance with the pre-filing requirements under the ERC Rules of Practice and Procedure, SURNECO is submitting herewith the following documents which are being made integral parts hereof, as follows:

Annex Markings	Nature of Document
A	Notice of Force Majeure Event
B	Executive Summary of the Force Majeure Event Capital Expenditure Project
C and series	Proof of furnishing copies of the Application to the Sangguniang Panlungsod of Surigao City and the Sangguniang Panlalawigan of Surigao del Norte
D and series	Proof of publication of the Application in a newspaper of general circulation within SURNECO's franchise area or where it principally operates.

PRAYER

WHEREFORE, premises considered, SURNECO respectfully prays of this Honorable Commission that after due notice and hearing, the replacement of the cooperative's distribution line materials and equipment as well as service drop wires, kWh meters and metering facilities utilized in the reconstruction, repair and rehabilitation of network assets; the procurement and installation of SF6 Breaker (Primary Protection) for the 10 MVA Tubod Substation; the replacement of damaged office facilities, furniture and equipment; and construction of Main Office Building, all undertaken in order to restore the damage caused to SURNECO by Tropical Depression Auring on January 8, 2017 and the 6.7 magnitude earthquake on February 10, 2017, be confirmed and approved accordingly.

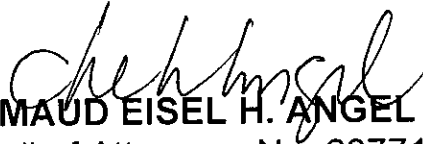
Other reliefs, just and equitable in the premises, are likewise prayed for.

Pasig City, Metro Manila, August 10, 2018.

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

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

By:



MAUD EISEL H. ANGEL
Roll of Attorneys No. 68771²

PTR No. 3897263, January 16, 2018, Pasig City
IBP Lifetime No. 018968, February 14, 2018, Quezon City

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

²Explanation (Re: MCLE Compliance) - Admitted to the Philippine Bar in 2017. Pursuant to Board Order No. 1, s. 2008 of the MCLE Governing Board, otherwise known as "Guidelines for MCLE Compliance of New Lawyers in view of Bar Matter No. 1922, S. 2008", she is exempted from complying with the MCLE requirement.

VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

I, ENGR. NARCISO I. CALIAO, JR., of legal age, Filipino and with office address at the main office of the Surigao del Norte Electric Cooperative, Inc. (SURNECO), Narciso corner Espina Sts., Surigao City, after being sworn to according to law, depose and state, that:

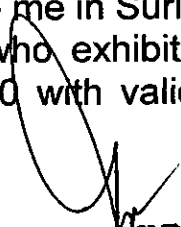
1. I am the General Manager of SURNECO, duly authorized to represent the cooperative in filing the instant application, copy of the corresponding Board Resolution is attached hereto and made integral part hereof;
2. I caused the preparation and filing of the foregoing Application; have read the allegations contained therein, and certify that the same are true and correct based on my personal knowledge and on authentic records;
3. SURNECO 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 there from.

Further, affiant sayeth naught.


NARCISO I. CALIAO, JR.
Affiant

SUBSCRIBED AND SWORN to before me in Surigao City, this _____ day of August 2018, by the affiant who exhibited to me his Driver's License bearing No. K07-95-011370 with validity until May 10, 2019.

AUG 14 2018


ATTY. ALFREDO G. CORO
NOTARY PUBLIC
Notary Public 2018
PTR No. 9847106 / 3314703
IBP No. 966248 / DEC. 29, 2017
ROLL No. 23894 TIN No. 122-369-426
SURIGAO DEL NORTE, SURIGAO CITY
MCLE No. VI-0000128

Doc. No. 2433 ;
Page No. 12/17 ;
Book No. 11 ;
Series of 2018.