

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



**IN THE MATTER OF
THE APPLICATION FOR
APPROVAL OF CAPITAL
EXPENDITURE PROGRAM
FOR YEARS 2015 TO 2017,
WITH MOTION FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2017-059 RC

**SURIGAO DEL SUR 1
ELECTRIC COOPERATIVE,
INC. (SURSECO 1),**

Applicant.

X-----X

D O C K E T E D

Date: SEP 29 2017

By: [Signature]

ORDER

On 15 June 2017, Surigao del Sur 1 Electric Cooperative, Inc. (SURSECO 1) filed an *Application* dated 8 May 2017 (Application) seeking the Commission's approval of its Capital Expenditure program for years 2015 to 2017, with motion for provisional authority.

In its *Application*, SURSECO 1 alleged the following:

THE APPLICANT

1. SURSECO 1 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 No. 26, Series of 2009 and other pertinent laws and rules, the instant application is being filed for the Honorable Commission's

consideration and approval of SURSECO 1's proposed Capital Expenditure (CAPEX) Program for Years 2015 to 2017;

THE PROPOSED PROJECTS

4. The proposed CAPEX Projects subject of the instant application are summarized hereunder, as follows:

Project Code	Project Title	Project Cost (PhP)	Year of Implementation
C-TAB-SS	Upgrading/Upgrading of Tabon Substation from 5 to 10 MVA	20,842,939.40	2016
C-SANFER-SS	Rehabilitation of M1 San Fernando Substation	7,480,000.00	2016
Total		28,322,939.40	
PROPOSED DISTRIBUTION LINE PROJECTS			
Project Code	Project Title	Project Cost (PhP)	Year of Implementation
S-EXP-CON	Expansion of Primary and Secondary Lines	5,076,683.00	2015-2017
S-REHAB-Dist	Rehabilitation of Distribution Lines	14,391,383.74	2015-2017
Total		19,468,066.74	
PROPOSED OTHER NETWORK RELATED PROJECTS			
Project Code	Project Title	Project Cost (PhP)	Year of Implementation
E-AMO-XFRMR	Replacement of Defective and Overloaded Transformer	12,040,606.41	2015-2017
E-KWHM	Replacement of Old and Defective kWh Meters	9,259,743.79	2015-2017
O-NA-KWSD	Procurement of kWh Meters and Service Drop	13,559,255.71	2015-2017
O-NA-BS	Contingency/Buffer Stock	6,886,511.14	2015 & 2017
O-NN-AT	Procurement of Special Equipment and Tools for Comprehensive Analysis	1,263,742.12	2015-2017
O-NA-H. Meters	Procurement of High-End kWh Meters	1,428,840.00	2017
O-NN-FOC	Fiber Optic Cabling	51,382,939.64	2015-2017
Total		95,821,638.81	
PROPOSED NON-NETWORK RELATED PROJECTS			
Project Code	Project Title	Project Cost (PhP)	Year of Implementation
O-NN-INF	Infrastructure Development	9,500,000.00	2017
O-NN-LOGIS	Logistics and Support	17,306,400.00	2017
O-NA-MOBIL	Mobile Power Station	341,472.14	2017

O-NN-GIS	Establishment of Geographical Information System Based Map	2,381,400.00	2017
Total		29,529,272.14	
GRAND TOTAL		173,141,917.09	

CAPITAL EXPENDITURE PLAN

5. The proposed projects are discussed in detail in the cooperative's Capital Expenditure Plan for the years 2015 to 2017 together with supporting data and justifications presented in ERC-specified templates;

FINANCIAL AND ECONOMIC EVALUATION

6. **Financing Plan.** SURSECO 1's proposed projects will be financed from funds to be acquired through loans from the National Electrification Administration (NEA) and Rural Electrification Financing Corporation (REFC). Presented in the table below are the CAPEX plan financiers to be pursued and the corresponding costs to be financed, to wit:

Source of Funds	Project Cost to be financed	2015	2016	2017
NEA	143,555,235.57	35,992,945.76	32,611,660.70	74,950,629.11
REFC	29,586,681.52	1,263,742.12	28,322,939.40	
TOTAL	173,141,917.09	37,256,687.88	60,934,600.10	74,950,629.11

7. **Cash Flow.** SURSECO 1's cash flow shows that it can viably pursue and implement the 3-year CAPEX Plan without necessarily causing a significant increase in its electricity rates. The table below presents its Annual CAPEX Budget, to wit:

Sources of Funds	2015	2016	2017	Total
NEA/REFC	3,784,300.00	9,973,653.38	17,586,666.82	31,344,620.21
CAPEX Permit Fee	279,425.16	457,009.50	562,129.72	1,298,564.38
Total CAPEX Plan Cost to Customers	4,063,725.16	10,430,662.88	18,148,796.54	32,643,184.58

8. Further, the whole capital expenditure structure of SURSECO 1 also considered previous indebtedness incurred in financing past CAPEX projects outstanding as of year 2014, such that including the amortization of said indebtedness will have the cash flow shown in the Table below, as follows:

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Particulars	2015	2016	2017	TOTAL
Revenue from RFSC	19,747,587.86	20,474,650.20	21,210,645.46	61,432,883.51
CAPEX Plan Amortization	3,784,300.00	9,973,653.38	17,586,666.82	31,344,620.21
CAPEX Permit Fee	279,425.16	457,009.50	562,129.72	1,298,564.38
Previous Loan Amortization	7,766,271.84	6,414,177.87	4,431,347.88	18,611,797.59
Total CAPEX Plan Cost	11,829,997.00	16,844,840.75	22,580,144.42	51,254,982.17
Net Cash Flow	7,917,590.86	3,629,809.45	(1,369,498.96)	10,177,901.34

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 SURSECO 1'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 of the CAPEX Plan on SURSECO 1's RFSC, to wit:

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

	2015	2016	2017	2018	2019	TOTAL
Forecasted energy sales, kWh	50,845,000	52,717,000	54,612,000	63,287,000	67,521,000	288,982,000.00
Cash balance beginning, PhP, excess/(shortfall)	-	8,172,207.28	12,056,633.15	10,941,750.60	13,758,263.67	-
CASH INFLOWS						
Current year collection @PhPo.4004/kWh at 97% collection efficiency	19,747,587.86	20,474,650.20	21,210,645.46	24,579,911.36	26,224,346.15	112,237,141.02
Loan proceeds from financial institutions, PhP	37,256,687.88	60,934,600.10	74,950,629.11			173,141,917.09
50% of income on leased properties	254,616.42	254,616.42	254,616.42	254,616.42	254,616.42	1,273,082.10
Total Cash Inflows, PhP	57,258,892.16	81,663,866.72	96,415,890.99	24,834,527.78	26,478,962.57	286,652,140.21
Available cash for disbursement	57,258,892.16	89,836,074.00	108,472,524.13	35,776,278.37	40,237,226.24	286,652,140.21
CASH OUTFLOWS						
CAPEX requirement	37,256,687.88	60,934,600.10	74,950,629.11	-	-	173,141,917.09
Old debt (old amortization)	7,766,271.84	6,414,177.87	4,431,347.88	4,431,347.88	4,431,347.88	27,474,493.35
New amortization NEW CAPEX), PhP	3,784,300.00	9,973,653.38	17,586,666.82	17,586,666.82	17,586,666.82	66,517,953.86
ERC Permit Fee, PhP	279,425.16	457,009.50	562,129.72	-	-	1,298,564.38
Total Cash Outflows, PhP	49,086,684.88	77,779,440.85	97,530,773.53	22,018,014.70	22,018,014.70	268,432,928.67

Cash balance ending, PhP, excess/(shortfall)	8,172,207.28	12,056,633.15	10,941,750.60	13,758,263.67	18,219,211.53	18,219,211.53
Excess/(shortfall) on RFSC PhP/kWh	0.1607	0.2287	0.2004	0.2174	0.2698	0.0630

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

10. SURSECO 1 respectfully repleads herein the foregoing allegations;
11. As shown in the Table on Paragraph 4 above, some of the proposed projects have schedules of commissioning which are expected to happen while the instant application is pending;
12. Furthermore unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
13. In view thereof, SURSECO 1 respectfully moves for issuance of a provisional authority while the instant application is pending, to implement any of the proposed projects as it becomes necessary and urgent under specific 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

14. 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 2015 to 2017
B to B-1	Affidavit of Posting of Notice to Consumers, with the Notice to Consumers
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Judicial Affidavit in Support of the Motion for Provisional Authority
E to E-1	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Bislig City and Sangguniang Panlalawigan of Surigao del Sur
F to F-2	Publication of the Application in a newspaper of general circulation within SURSECO 1'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 and pending evaluation of the instant Application, SURSECO 1 be allowed provisional authority to implement the proposed projects as may be deemed necessary and urgent under specific circumstances; and
2. after due notice and hearing, SURSECO 1's proposed Capital Expenditure Program for Years 2015 to 2017 be approved accordingly.

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

Finding the said *Application* sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **23 November 2017 (Thursday) at nine o'clock in the morning (9:00 A.M.), at SURSECO 1's Principal Office, San Fernando, Bislig City, Surigao del Sur.**

Accordingly, SURSECO 1 is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, the reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;

- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and the attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, the reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application*, and the attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

SURSECO 1 must also be prepared to make an expository presentation of the instant *Application* aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 20 September 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:



ALFREDO J. NON
OIC, Chairman and CEO

Copy Furnished:

1. **DECHAVEZ & EVANGELISTA LAW OFFICES**
Counsel for SURSECO 1
Unit 2008, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City 1605
2. **Surigao del Sur Electric Cooperative, Inc. (SURSECO 1)**
San Fernando, Bislig City, Surigao del Sur
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **Commission on Audit**
Commonwealth Avenue
Quezon City
5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City
6. **House Committee on Energy**
Batasan Hills, Quezon City
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
8. **Office of the City Mayor**
City of Bislig, Surigao del Sur
9. **Office of the Local Government Unit (LGU) legislative body**
City of Bislig, Surigao del Sur
10. **Office of the Municipal Mayor**
Barobo, Surigao del Sur
11. **Office of the Local Government Unit (LGU) legislative body**
Barobo, Surigao del Sur
12. **Office of the Municipal Mayor**
Tagbina, Surigao del Sur
13. **Office of the Local Government Unit (LGU) legislative body**
Tagbina, Surigao del Sur
14. **Office of the Municipal Mayor**
Hinatuan, Surigao del Sur
15. **Office of the Local Government Unit (LGU) legislative body**
Hinatuan, Surigao del Sur
16. **Office of the Municipal Mayor**
Lingig, Surigao del Sur

17. **Office of the Local Government Unit (LGU) legislative body**
Lingig, Surigao del Sur
18. **Office of the Governor**
Province of Surigao del Sur
19. **Office of the Local Government Unit (LGU) legislative body**
Province of Surigao del Sur
20. **Standards, Compliance and Monitoring Division**
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City