

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




**IN THE MATTER OF THE  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOANS TO FINANCE  
APPROVED CAPITAL  
EXPENDITURE PROJECTS,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2017-012 MC**

**SOUTHERN LEYTE  
ELECTRIC COOPERATIVE,  
INC. (SOLECO),**

**Applicant.**

**X-----X**

**DOCKETED**  
Date: **FEB 22 2018**  
By: 

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 29 June 2017, Southern Leyte Electric Cooperative, Inc. (SOLECO) filed an *Application* dated 11 April 2017 seeking the Commission's authority to secure loans, with prayer for the issuance of provisional authority.

SOLECO alleged the following in its *Application*:

**APPLICANT, SOUTHERN LEYTE ELECTRIC COOPERATIVE, INC. (SOLECO)** through counsel, unto this Honorable Commission, most respectfully alleges that:

**THE APPLICANT**

1. SOLECO 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 Brgy. Soro-Soro, Maasin City, Southern Leyte;

2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the city of Maasin and the municipalities of Anahawan, Bontoc, Hinunangan, Hinundayan, Libagon, Liloan, Limasawa Island, Macrohon, Malitbog, Padre Burgos, Pintuyan, Saint Bernard, San Juan, San Francisco, San Ricardo, Silago, Sogod, Tomas Oppus, all in the province of Southern Leyte.

**LEGAL BASIS FOR THE APPLICATION**

3. The instant application is being filed pursuant Article 20 (D) of the ERC Rules of Practice and Procedure in relation to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which provides, as follows:

*“Section 20. Acts requiring the approval of the Commission. Subject to established limitations and exceptions and saving provisions to the contrary, it shall be unlawful for any public service or for the owner, lessee or operator thereof, without the approval and authorization of the Commission previously had-*

*(e) Hereafter to issue any stock of stock certificates representing an increase of capital; or issue any share or stock without par value; or issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof, provided that it shall be the duty of the Commission, after hearing, to approve any such issue maturing in more than one year from the date thereof, when satisfied that the same is to be made in accordance with the law, and the purpose of such issue be approved by the Commission.”*

**THE ANTECEDENT FACTS**

4. On June 5, 2012, SOLECO filed an application with the Honorable Commission for the approval of its Capital Expenditure Program for Years 2012 to 2015, docketed as ERC Case No. 2012-077 RC;
5. On May 11, 2015, the Honorable Commission rendered its decision in said application, confirming or approving some of the proposed projects at a total evaluated project cost of Two Hundred Forty Seven Million, Eight Hundred Eighty Six Thousand Five Hundred Fifty Five Pesos & 28/100 (PhP247,886,555.28), summarized as follows, to wit:

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**A. CONFIRMED PROJECTS:**

<b>PARTICULARS</b>	<b>CONFIRMED COST (PhP)</b>
Construction of substation at San Isidro, Saint Bernard	7,365,297.89
Renewal Projects	13,865,129.28
Distribution Transformer Requirements	11,236,442.00
Add-on (Service Drop and Metering)	9,941,525.00
Secondary Lines Expansion	9,279,922.00

**B. APPROVED PROJECTS:**

<b>PARTICULARS</b>	<b>APPROVED COST(PhP)</b>
Construction of Substation at Cambado, Maasin City	43,422,225.00
Safety and Reliability Projects	11,189,995.00
Power Quality Projects for Primary Distribution System	24,025,079.85
Power Quality Projects for Secondary Distribution System	56,906,740.82
Installation of Shunt Capacitor	506,054.25
Primary Line Conversion	12,987,084.11
Primary Line Reconductoring	4,412,549.03
Renewal Projects	7,063,562.16
Distribution Transformer Requirements	9,548,147.00
Add-on (Service Drop and Metering)	12,189,047.00
Secondary Lines Expansion	13,088,814.00
Engineering System Analysis Software	1,500,000.00
Geographical Information System (GIS)	2,000,000.00
Vehicles	5,100,000.00
Tools and Instrument	13,047,257.06
Distribution Automation System (SCADA)	10,000,000.00
Construction of Building for Sub-Offices and Acquisition of a Parcel of Land	20,900,000.00
<b>Total Project Costs (PhP)</b>	<b>247,886,555.28</b>

6. Further in the same decision, the Honorable Commission likewise directed SOLECO to file an application for authority to secure loan to finance the approved projects;
7. Consequently, the cooperative applied for a loan with the Philippine National Bank (PNB) as well as the National Electrification Administration (NEA). PNB granted a loan amount of PhP250,000,000.00 at an interest of 4.50% per annum fixed for ten (10) years. On the other hand, NEA granted a loan amount of PhP15,132,000.00 at an interest of 6% per annum fixed for ten (10) years.

8. In line with its mandate to provide its consumers within its franchise area with safe, efficient, quality, reliable and affordable supply of electric power, SOLECO respectfully seeks authority from this Honorable Commission to secure the loans from PNB and NEA in order to finance the approved projects under ERC Case No. 2012-077 RC.

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY**

9. Applicant respectfully repleads the foregoing allegations as may be material herein;
10. The approved projects have proposed commissioning years starting 2012. The order of priority of the commissioning have been intended to address problems and deficiencies in SOLECO's distribution network which required immediate solution. Considering the time that had elapsed, it is imperative that said projects be implemented without any further delay;
11. Consequently, SOLECO respectfully moves that upon filing and initial evaluation of the instant application, the cooperative be granted provisional authority to secure loans from the PNB and NEA to finance the remaining approved projects, to enable the cooperative to deliver safe, reliable, quality and affordable electric service to its consumers.

**SUPPORTING DOCUMENTS**

12. In support of the instant application, SOLECO is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Decision on SOLECO's CAPEX Application docketed as ERC Case No. 2012-171 RC
B	NEA Certification approving SOLECO's loan with NEA and clearance to avail loan with the PNB
C	NEA Loan Amortization Schedule
D	Loan and Assignment Agreement between SOLECO and PNB
E	PNB Pro-Forma Amortization Schedule
F	Loan Releases of NEA
G	List of fixed assets already acquired and the expenses incidental to said acquisition derived from the proceeds of loan, indicating the cost of each type or fixed asset and its date of acquisition

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H	Details or specifications of the equipment/projects and/or items to be purchased/built and their estimated cost to which the proceeds of the loan will be utilized and bases/reasonableness of the estimated cost per equipment/project
I	Annual RFSC Utilization (2014 - 2016)
J	NEA Loan Profile as of December 31, 2016
K	Projected Financial Ratios
L	Cost/Benefit Analysis
M	SOLECO's Audited Financial Statements for 2010 -2015
N	Judicial Affidavit in Support of the Prayer for Provisional Authority

**PRAYER**

**WHEREFORE**, premises considered, it is most respectfully prayed of this Honorable Commission that upon filing of the instant application and pending hearing or evaluation hereof, SOLECO be granted provisional authority to obtain loans from the National Electrification Administration (NEA) and Philippine National Bank (PNB) and as may be warranted under the circumstances to finance the immediate implementation of any of the approved projects, and after due notice and hearing, the application be approved accordingly.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **04 April 2018 at ten o'clock in the morning (10:00 A.M.), at 15<sup>th</sup> Floor, ERC Hearing Room, Pacific Center Building, San Miguel Ave., Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene, at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;

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- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 14<sup>th</sup> day of February 2018 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
LS/JGM/ARQ/GLS/APV