

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 2017 TO 2021,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION AND
MOTION FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2017-023 RC

**DINAGAT ISLAND ELECTRIC
COOPERATIVE, INC.
(DIELCO),**

Applicant.

X -----X

D O C K E T E D
Date: **DEC 28 2017**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 16 March 2017, Dinagat Island Electric Cooperative, Inc. (DIELCO) filed an Application seeking the Commission's approval of its Capital Expenditure Program for years 2017 to 2021, with authority to secure loan and motion for the issuance of a provisional authority.

In its Application, DIELCO alleged the following:

THE APPLICANT

1. DIELCO is a non-stock, non-profit electric cooperative, duly organized and existing under and by virtue of Philippine laws, with principal office at Justiniana, San Jose, Province of Dinagat Islands.
2. It holds an exclusive franchise from the National Electrification Commission to operate an electric light and power distribution service in the municipalities of San Jose,

ERC CASE NO. 2017-023 RC
NOTICE OF PUBLIC HEARING/ 12 DECEMBER 2017
PAGE 2 OF 7

Basilisa, Libjo, Tubajon, Loreto, Dinagat and Cagdianao, all in the Province of Dinagat Islands.

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, DIELCO seeks approval, confirmation and authority from this Honorable Commission to implement its proposed Capital Expenditure (CAPEX) Program for Years 2017 to 2021.
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. DIELCO's proposed CAPEX Projects subject of the instant application are summarized hereunder, as follows:

PROPOSED NETWORK CAPEX PROJECTS					
No.	Project Type	Project Category	Project Description	Project Cost (PhP)	Year of Implementation
1	Safety/ Reliability	Primary and Secondary Distribution Project	Replacement of Rotten Poles and Cross-arms	13,324,100.98	2017-2021
2	Power Quality/ Capacity	Primary Distribution Project	Distribution Line Upgrading	367,802.97	2017-2018
3	Safety		Procurement of Recloser	4,500,000.00	2017
4	Safety/ Reliability		Installation of Additional Structure between Long Span	398,418.31	2017
5	Reliability	Primary and Secondary Distribution Project	Installation of Double Down Guys	19,434,664.44	2017-2018
6	Capacity		Distribution Line Extension	2,284,403.22	2017
Total				40,309,389.92	
PROPOSED OTHER NETWORK CAPEX PROJECTS					
No.	Project Type	Project Category	Project Description	Project Cost (PhP)	Year of Implementation
1	System Loss Reduction	Other Network Requirements	Replacement of Defective/Old kWh Meters and Fuse Cut-outs	8,559,300.00	2017-2021

ERC CASE NO. 2017-023 RC
NOTICE OF PUBLIC HEARING/ 12 DECEMBER 2017
PAGE 3 OF 7

2	Capacity		Replacement of Inefficient and Over-loaded Transformers	14,783,842.00	2017-2021
3	Capacity		Procurement of kWh Meters and Service Drop Wires for New Consumers	10,574,638.20	2017-2021
Total				33,917,780.20	
PROPOSED NON-NETWORK CAPEX PROJECTS					
No.	Project Type	Project Category	Project Description	Project Cost (PhP)	Year of Implementation
1	Non-Network Requirements	Non- Network Requirements	Procurement of Tools and Equipment	16,786,350.00	2017-2018
2			Buffer Stock for Contingencies/Emergencies/Calamities	7,103,299.73	2017
Total				23,889,649.73	
GRAND TOTAL				98,116,819.85	

CAPITAL EXPENDITURE PLAN

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

FINANCIAL AND ECONOMIC EVALUATION

7. **Financing Plan.** DIELCO's proposed projects will be financed partly through a loan from the National Electrification Administration (NEA), partly from NEA subsidy and partly out of the cooperative's General Funds. Amortizations for the NEA loan will be paid out of the cooperative's collections of Reinvestment Fund (RF). The Table below shows the CAPEX Plan finances to be pursued and the corresponding costs to be financed.

SOURCES OF FUND	TOTAL (PhP)	ANNUAL PROJECT COST (PhP)				
		2017	2018	2019	2020	2021
NEA Loan	90,095,738.43	33,960,327.14	31,557,373.66	8,181,853.98	8,343,174.16	8,053,009.49
NEA Subsidy (DX Line Extension)	2,284,403.22	2,284,403.22				
DIELCO's General Fund (SDW)	5,736,678.20	71,720.00	1,451,472.00	1,428,880.20	1,405,212.60	1,379,393.40
TOTAL	98,116,819.85	36,316,450.36	33,008,845.66	9,610,734.18	9,748,386.76	9,432,402.89

8. **Cash Flow.** As shown in the immediately preceding table, DIELCO'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.
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

ERC CASE NO. 2017-023 RC
NOTICE OF PUBLIC HEARING/ 12 DECEMBER 2017
PAGE 4 OF 7

proposed projects will have a reasonable rate impact per kWh, as shown in the Table below, to wit:

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

	2017	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	17,306,215	19,506,922	21,731,127	23,962,853	26,191,283	108,698,400.91
Cash balance beginning, PhP, excess/(shortfall)	1,883,423.39	3,018,172.98	505,871.39	(1,716,368.61)	(3,837,254.42)	1,883,423.39
CASH INFLOWS						
current year collection @PhPO.4150/kWh	7,182,079.37	8,095,372.68	9,018,417.89	9,944,584.02	10,869,382.41	45,109,836.38
50% of income on leased properties	-	-	-	-	-	-
loan proceeds from financial institutions, PhP	33,960,327.14	31,557,373.66	8,181,853.98	8,343,174.16	8,053,009.49	90,095,738.43
government subsidy	2,284,403.22	-	-	-	-	2,284,403.22
Total Cash Inflows, PhP	43,426,809.73	39,652,746.34	17,200,271.87	18,287,758.18	18,922,391.90	137,489,978.03
Available cash for disbursement	45,310,233.12	42,670,919.33	17,706,143.26	16,571,389.57	15,085,137.48	139,373,401.42
CASH OUTFLOWS						
CAPEX requirement	36,316,450.35	33,008,845.67	9,610,734.18	9,748,386.76	9,432,402.89	98,116,819.85
old debt (old amortization)	2,253,760.00	2,253,760.00	2,253,760.00	2,253,760.00	2,253,760.00	11,268,800.00
new amortization (new CAPEX), PhP	3,449,476.41	6,654,875.92	7,485,937.18	8,333,384.33	9,151,358.38	35,075,032.23
ERC Permit Fee, PhP	272,373.38	247,566.34	72,080.51	73,112.90	70,743.02	735,876.15
Total Cash Outflows, PhP	42,292,060.14	42,165,047.93	19,422,511.87	20,408,643.99	20,908,264.29	145,196,528.23
Cash balance ending, PhP, excess/(shortfall)	3,018,172.98	505,871.39	(1,716,368.61)	(3,837,254.42)	(5,823,126.81)	(5,823,126.81)
Excess/(shortfall) on RFSC, PhP/kWh	0.1744	0.0259	(0.0790)	(0.1601)	(0.2223)	(0.0536)

AUTHORITY TO SECURE LOAN FROM NEA

- As shown above, most of the proposed projects shall be financed through a loan from NEA considering that the cooperative's Reinvestment Fund is not readily available and therefore cannot 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.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

- Applicant repleads the foregoing allegations as may be material herein;
- 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;
- Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
- In view thereof, applicant respectfully moves for 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 the cooperative 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 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 Bayan of San Jose and Sangguniang Panlalawigan of Dinagat Islands
G to G-2	Publication of the Application in a newspaper of general circulation in DIELCO's franchise area or where it principally operates, with Affidavit of Publication

PRAYER

WHEREFORE, premises considered, applicant Dinagat Island Electric Cooperative, Inc. (DIELCO) respectfully prays of this Honorable Commission that:

- upon initial review of the instant application and pending evaluation hererof, the cooperative be granted provisional authority to implement any of the proposed projects as well as secure loan from the National Electrification Administration (NEA) to finance the same, as may be deemed necessary and urgent under specific circumstances; and
- after due notice and hearing, the cooperative's proposed Capital Expenditure Program for Years 2017 to 2021 be granted and the loan being secured from NEA to finance

some of the projects be authorized and approved accordingly.

Other reliefs, just and equitable in 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 **01 February 2018 (Thursday) at ten o'clock in the morning (10:00 A.M.) at DIELCO's Main Office in Justiniana, San Jose, Dinagat Island.**

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;
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 12th day of December 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal