

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.

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DOCKETED
Date: SEP 29 2017
By: W

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 15 June 2017, Surigao del Sur 1 Electric Cooperative, Inc. (SURSECO 1) filed with the Commission its *Application* dated 8 May 2017 (Application) for approval of its Capital Expenditure program for years 2015 to 2017, with motion for provisional authority.

SURSECO 1 alleged the following in its *Application*:

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	Uprating/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

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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.

The Commission has set the *Application* 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.**

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:

- i. The petitioner's name and address;
- ii. 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
- iii. 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 Officer-In-Charge (OIC), Chairman and CEO **ALFREDO J. NON**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 20th day of September 2017 at Pasig City.


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