



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

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RECEIVED BY:

IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION AND
APPROVAL OF
EMERGENCY CAPITAL
EXPENDITURE
PROJECT, NAMELY:
PURCHASE AND
INSTALLATION OF NEW
10MVA POWER
TRANSFORMER FOR
BAGANGA SUBSTATION

2020-010
ERC CASE NO. _____ RC

DAVAO
ORIENTALELECTRIC
COOPERATIVE,
INC.(DORECO),
Applicant.

X ----- X

Case 710-
PAID
001672
3.11.2020
Ch 3-10-2020
A. J. 27

APPLICATION

APPLICANT, DAVAO ORIENTALELECTRIC COOPERATIVE, INC. (DORECO) thru counsel, unto this Honorable Commission, most respectfully alleges that:

THE APPLICANT

1. DORECO 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 Madang National Highway, Barangay Central, City of Mati, Davao Oriental;

2. It holds an exclusive franchise issued by the National Electrification Commission, to operate an electric light and power distribution service in Mati City and certain municipalities of the province of Davao Oriental, namely: San Isidro, Governor Generoso, Lupon, Banay- Banay, Tarragona, Manay, Caraga, Baganga, Cateel and Boston.

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, DORECO submits the instant application for the Honorable Commission's confirmation and approval of its Emergency Capital Expenditure (CAPEX) Project, namely: Purchase of New 10 MVA Power Transformer for Baganga Substation.

STATEMENT OF FACTS

4. Sometime on October 9, 2019 at around 8:03 P.M., the head of the Substation Evaluation and Substation Tending Section of DORECO received a report regarding power interruption of SF6 Circuit Breaker which has detected a fault current, thereby causing an abrupt breakdown of the 5MVA Power Transformer of Baganga Substation, resulting in total power outage in the municipalities of Baganga and Caraga, and some areas in the municipality of Manay.

5. Immediately thereafter, DORECO's technical personnel performed a series of tests on the 5MVA power transformer to determine the cause of the detected faults. After the final testing with the assistance of the technical personnel from Asiaphil Energy Solutions, Inc., it was confirmed that the power transformer was damaged.

6. The personnel who performed the tests recommended the replacement of the damaged power transformer which has likewise already reached its economic life.

7. Hence, the emergency capital expenditure project subject of the instant application.

PROJECT DESCRIPTION

8. The project subject of the instant application involves the Purchase and Installation of a New 10 MVA Power Transformer for Baganga Substation.

PROJECT JUSTIFICATION

9. There is an urgent need to replace the damaged 5MVA power transformer at Baganga Substation and at the same time upgrade its power transformer to 10MVA, to ensure efficiency and stability of the delivery of power supply to the three municipalities served by the substation, namely: Baganga, Caraga and Manay, ensure the safety of the substation, and further meet the growing demand in the covered municipalities in the years to come.

10. This project will also serve power to two more municipalities, Cateel and Boston, in case of maintenance or unexpected interruption of the Cateel Substation.

PROJECT SCHEDULE

11. The project was commenced on December 1, 2019 and completed by December 20, 2020.

PROJECT COST

12. The cost of the purchase and installation of a brand new 10MVA Power Transformer for Baganga Substation is Twelve Million Two Hundred Thousand Pesos (PhP 12,200,000.00).

FINANCING PLAN

13. The project is financed through a loan from the Rural Electrification Financing Corp. (REFC). Amortization of the loan is computed based on a 7.25% interest rate per annum payable in five (5) years.

RATE IMPACT

14. The table below shows that DORECO's projected collections of Reinvestment Fund for Sustainable Capital Expenditure (RFSC) is insufficient to cover the annual capital project cost and loan

amortizations of the cooperative in 2021 and 2022 after implementation of the project. RFSC collections will be able to cope with the annual loan amortizations only by year 2023, as shown below:

		2019	2020	2021	2022	2023	TOTAL
Forecasted Energy Sales, kWh		135,826,677	143,467,238	151,330,442	159,342,780	167,450,167	757,417,304
Cash Balance beginning, Php excess/(shortfall)		29,224,710.23	55,992,617.50	3,328,247.75	(137,416.51)	(913,098.54)	87,495,060.42
CASH INFLOWS							
	Current Year Collection @ Php 0.3534/ kWh @ 95%	45,601,090.27	48,166,255.81	50,806,169.29	53,496,151.53	56,218,044.57	754,287,711.47
	Loan Proceeds (CAPEX-Regular), Php		151,000,000.00				151,000,000.00
	Loan Proceeds (CAPEX-Emergency), Php	12,200,000.00					12,200,000.00
	Government Subsidy (if any), Php						
	Total Cash Inflows, Php	57,801,090.27	199,166,255.81	50,806,169.29	53,496,151.53	56,218,044.57	417,487,711.47
Available Cash for disbursement		87,025,800.50	255,158,873.31	54,134,417.05	53,358,735.02	55,304,946.02	504,982,771.89
CASH OUTFLOWS							
	CAPEX Requirement - Regular		185,267,292.00				185,267,292.00
	CAPEX Requirement - Emergency (BGA SS)		12,200,000.00				12,200,000.00
	Old debt (Old CAPEX amortization)	31,033,183.00	31,043,183.00	54,271,833.56	54,271,833.56	54,271,833.56	224,891,866.68
	New Amortization (CAPEX-Regular), Php		20,312,456.04	-	-		20,312,456.04
	New Amortization (CAPEX-Emergency), Php		2,916,194.52				2,916,194.52
	ERC Permit Fee, Php		91,500.00				91,500.00
	Total Cash Outflows, Php	31,033,183.00	217,589,001.42	54,271,833.56	54,271,833.56	54,271,833.56	445,679,309.24
Cash Balance Ending, Php, excess/(shortfall)		55,992,617.50	3,328,247.75	(137,416.51)	(913,098.54)	1,033,112.46	59,303,462.65
Excess/(Shortfall) on RFSC, Php/kWh		0.4122	0.0232	(0.0009)	(0.0057)	0.0062	0.0783

SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS

15. Finally, in compliance with the documentary as well as pre-filing requirements under ERC Resolution 26, Series of 2009 and the ERC Rules of Practice and Procedure, respectively, the following documents are being submitted herewith to form integral parts hereof, as follows, to wit:

Markings	Nature of Document
Annex "A"	Executive Summary of the Emergency Capital Expenditure Project
Annexes "B" and	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of MatiCity and Sangguniang

Annexes "C" and series	Proof of publication of the Application in a newspaper of general circulation in DORECO's franchise area or where it principally operates.
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PRAYER

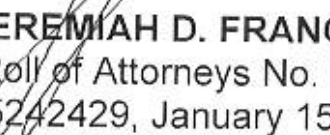
WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that after due notice and hearing, DORECO's Emergency Capital Expenditure Project: Purchase and Installaton of New 10 MVA Power Transformer for Baganga Substation, be confirmed and approved accordingly.

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

Pasig City, Metro Manila, January 27, 2020.

**DECHAVEZ LERIOS-AMBOY AND EVANGELISTA
LAW OFFICES¹**
Counsel for the Applicant
Davao Oriental Electric Cooperative, Inc. (DORECO)
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By:


JEREMIAH D. FRANCISCO
Roll of Attorneys No. 62302
PTR No. 5242429, January 15, 2020, Pasig City
IBP Lifetime Member No. 018969, RSM
MCLE Compliance No. VI Cert. No. 0017800, Feb. 13, 2019

¹ Pursuant 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. VI	Date of Issuance
Joseph Ferdinand M. Dechavez	Certificate No. 000893	Sept. 18, 2018
Ditas A. Leros-Amboy	Certificate No. 0022789	March 29, 2019
Nelson V. Evangelista	Certificate No. 0026811	May 24, 2019

VERIFICATION AND CERTIFICATION OF NON FORUM-SHOPPING

I, Engr. Gregory A. Dukil, of legal age, Filipino and with office address at the main office of the Davao Oriental Electric Cooperative, Inc. (DORECO), Madang, National Highway, Mati City, Davao Oriental, after being sworn to according to law, depose and state that:


1. I am the General Manager of the Davao Oriental Electric Cooperative, Inc. (DORECO), 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. DORECO has not heretofore commenced any other action or proceedings involving the same issues 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 therefrom.

Further, affiant sayeth naught.


GREGORY A. DUKIL
Affiant

SUBSCRIBED AND SWORN to before me in Mati City, this 2nd day of March 2020, by the affiant who exhibited to me his PRC Professional License bearing No. L02-74-054873 with validity until October 29, 2023.

Notary Public
Doc. No. 91 ;
Page No. 10 ;
Book No. 86 ;
Series of 2020.


ATTY. JOEL EMMANUEL F. VALLES, JR.
Notary Public
Until December 31, 2020
PTR no. 2711345/1-6-2020/Tegum City
IBP no. 115279/1-31-2020/Manila
TIN: 919-498-846

EXCERPTS FROM THE MINUTES OF THE TWENTY THIRD REGULAR BOARD MEETING OF THE DORECO BOARD OF DIRECTORS HELD AT DORECO BOARDROOM, CITY OF MATI, DAVAO ORIENTAL ON DECEMBER 2, 2019:

PRESENT	:	DIR. LUISITO S. GREGORIO	President
		DIR. MOISES C. JUABAN	Vice-President
		DIR. CAROLINA M. TADENA	Sec. Treasurer
		DIR. MYRA A. TANA	Member
		DIR. HONORINA M. BURGOS	Member
		CEO GREGORY A. DUKIL	Ex-Officio Member
		DIR. ELMER M. JOVILLA	Member
ABSENT	:	NONE	

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RESOLUTION NO. 160
Series of 2019

"A RESOLUTION AUTHORIZING THE FILING OF APPLICATION BEFORE THE ENERGY REGULATORY COMMISSION (ERC) FOR THE AUTHORITY TO SECURE LOAN FROM THE RURAL ELECTRIFICATION FINANCING CORPORATION (REFC) TO FINANCE THE IMPLEMENTATION OF THE EMERGENCY CAPITAL EXPENDITURE PROJECT AS APPLIED BY DORECO"

WHEREAS, the DORECO has filed an application with the Energy Regulatory Commission (ERC) for the confirmation and approval of emergency capital expenditure project for the Purchase, Installation and Commissioning of Power Transformer, 10/12.5 MVA OFF LOAD, 67/13.2 KV with Annunciator for Baganga Substation as manifested through Board Resolution No. 159, Series of 2019;

WHEREAS, the abovementioned project shall be funded through a loan from the Rural Electrification Financing Corporation (REFC), hence the corresponding application for authority to secure loan from REFC shall be filed in relation to the filing of the aforementioned Emergency CAPEX Application;

WHEREFORE, on motion of Dir. Honorina M. Burgos, duly seconded by the august body, it was;

RESOLVED, to authorize, as it is hereby authorizes, the filing of Application before the Energy Regulatory Commission (ERC) for the authority to secure loan from the Rural Electrification Financing Corporation (REFC) to finance the implementation of the Emergency Capital Expenditure Project as applied by DORECO;

RESOLVED FINALLY, that a copy of this resolution be furnished to the Institutional Services Development Department, Technical Services Department, Finance Department and the Internal-Audit for their information and ready reference, the National Electrification Administration (NEA), the Rural Electrification Financing Corporation (REFC) and the Energy Regulatory Commission (ERC) for their information and ready reference.

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I HEREBY CERTIFY to the correctness of the foregoing resolution.

Attested by: 
DIR. LUISITO S. GREGORIO
President


DIR. CAROLINA M. TADENA
Secretary/Treasurer