

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



**IN THE MATTER OF THE  
APPLICATION FOR AUTHORITY TO  
SECURE LOAN TO FINANCE THE  
INTERIM CAPITAL EXPENDITURE  
PROJECT FOR 2013 AND  
REGULAR CAPITAL EXPENDITURE  
PROJECTS FOR 2014 TO 2016,  
WITH PRAYER FOR ISSUANCE OF  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2015 -018 MC**

**AGUSAN DEL NORTE ELECTRIC  
COOPERATIVE, INC. (ANECO),  
Applicant.**

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DOCK E T E D  
Date: JUL 27 2015  
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**O R D E R**

On April 29, 2015, the Agusan del Norte Electric Cooperative, Inc. (ANECO) filed an application for authority to secure loan to finance the interim capital expenditure project for 2013 and regular capital expenditure projects for 2014 to 2016, with prayer for provisional authority.

In the said application, ANECO alleged, among others, the following:

1. It 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 Km. 2. J.C. Aquino Avenue, Butuan City, Agusan Del Norte;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the municipalities of Las Nieves, Remedios Trinidad Romualdez, Santiago, Tubay, Magallanes, Jabonga, Kitcharao, Nasipit, Buenavista and Carmen, and the

cities of Butuan and Cabadbaran, all in the Province of Agusan Del Norte;

3. On June 6, 2013, it filed its interim capital expenditure project for 2013 and regular capital expenditure projects for 2014 to 2016 docketed as ERC Case No. 2013-129 RC, "In the Matter of the Application for Approval of the Interim Capital Expenditure Project for 2013 and Regular Capital Expenditure Projects for 2014 to 2016, with Prayer for Provisional Authority";

4. Its proposed capital projects to be financed are as follows:

<b>Project Type</b>	<b>Project Description</b>	<b>Project Cost (PhP)</b>	<b>Year of Implementation</b>
<b>INTERIM CAPEX</b>			
Capacity	Construction of 20 MVA Substation	36,560,000.00	2013
<b>ANNUAL CAPEX</b>			
Safety	Procurement of Three Phase Reclosers	5,940,000.00	2014 - 2016
Power Quality	Relocation of 5 MVA Santiago S/S	4,000,000.00	2015
OTHER CAPEX (Network)	Procurement, Replacement and Installation of kWh Meters 1P and 3P	42,026,460.00	2014 - 2016
	Procurement of Distribution Transformer	37,452,637.75	2014 - 2016
	Replacement of Rotten poles	25,416,472.65	2014 - 2016
	Procurement and Replacement of Current and Potential Transformer for primary metering of customer with station transformer 300 kVA and above	5,112,591.07	2014 - 2016
	Acquisition of Test Bench	4,000,000.00	2016
	Acquisition of Portable kWh-meter Calibrator Standard	1,500,000.00	2014
	Procurement of ACSR wires	15,591,300.00	2014 - 2016
	Procurement of Microprocessors Relay GE F650	3,000,000.00	2014 - 2016
OTHER CAPEX (Non- Network)	Acquisition of SCADA	50,000,000.00	2014 - 2016
	Construction of Fiber Optic Networks	15,421,750.00	2015-2016
	Acquisition of Software and Facilities for GIS	500,000.00	2014
	Procurement of Maintenance/Utility Vehicle	9,000,000.00	2014 - 2016

	Procurement of Crane Truck 30 tons	14,000,000.00	2014
<b>TOTAL PROJECT COST (PhP)</b>		<b>269,521,211.47</b>	<b>2013 - 2016</b>

5. It applied with the National Electrification Administration (NEA), Rural Electrification Financing Corporation (REFC) and Development Bank of the Philippines (DBP) for a loan accommodation/availment to finance its interim CAPEX for 2013 and the regular CAPEX 2014 to 2016:
  - 5.a. REFC granted to finance its interim CAPEX for 2013 amounting to PhP33,291,169.00, through a 5-year loan at 7.75% interest per annum;
  - 5.b. NEA granted to partially finance its regular CAPEX for 2014 to 2016 amounting to PhP97,961,211.47, through a 15-year loan at 6.2% interest per annum; and
  - 5.c. DBP granted to partially finance its regular CAPEX for 2014 to 2016 amounting to PhP135,000,000.00, through a 10-year loan at 5.4% interest per annum loan;
6. REFC has already released the total amount of PhP30,450,000.00 to finance its interim CAPEX for 2013, more particularly the construction of a new 20 MVA substation;
7. In line with its mandated commitment to provide its customers within its franchise area with a safe, efficient, quality, reliable and affordable supply of electric power, it seeks authority from the Commission to secure loan in the amount applied for granted by NEA, DBP and REFC in order to finance its interim and regular capital expenditure projects in ERC Case No. 2013-129 RC;

**ALLEGATION IN SUPPORT OF THE PRAYER FOR PROVISIONAL APPROVAL**

8. It repleads herein the foregoing allegations in support of its application for the issuance of provisional authority;
9. It has already obtained loan releases from REFC to finance its Interim CAPEX for 2013 which is the construction of a 20 MVA substation. The construction was necessitated in order to

address its capacity problem, and was implemented with prior permission from the Commission;

10. Shown in the previous table of the proposed annual CAPEX Projects are the commissioning schedules;
11. Likewise, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed CAPEX projects;
12. It moves that upon filing and initial evaluation of the application, a provisional authority be issued, allowing it to secure loans from NEA, DBP and REFC to finance the proposed projects, as it becomes necessary and urgent under specific circumstances, to implement and finance any of the proposed projects under ERC Case No. 2013-129 RC and to enable it deliver safe, reliable, quality and affordable electric service to its consumers;
13. In support of the application, it submitted the following documents:

<b>Annex</b>	<b>Nature of Document</b>
A	Certified True Copy of ANECO's Audited Financial Statements including notes for the years 2010 to 2013
B	Loan Approval and Agreements (NEA, REFC and DBP): <ol style="list-style-type: none"> <li>1. NEA Approval of ANECO's Loan Availment for, the REFC;</li> <li>2. NEA Certification of Authority to Secure Loan (ASL), Loan Approval and Loan Agreement of ANECO's Loan Availment with NEA and Development Bank of the Philippines (DBP) under Co-Financing Program;</li> <li>3. REFC Loan Approval;</li> <li>4. REFC Loan Agreement;</li> <li>5. DBP Loan Approval and Loan Agreement;</li> <li>6. REFC Letter Indicating the 3 Tranche of Loan Releases; and</li> <li>7. REFC Letter Indicating the difference between the Approved Loan &amp; Actual Loan Released.</li> </ol>
C	Details or Specification of the Equipment/Projects and/or Items to be Purchased/Built and their Estimated

	<p>Cost to which the Proceeds of the Loan will be Utilized;</p> <ol style="list-style-type: none"> <li>1. Detail and Specifications of Equipment, Projects and Items to be Purchased and Built;</li> <li>2. Yearly Estimated Cost of Equipment, Projects, and Items to be Purchased and Built;</li> <li>3. Yearly Amount of Loan Proceeds to be Utilized; and</li> <li>4. Details of Specification of Equipment per Project.</li> </ol>
D	Bases/Reasonableness of the Estimated Cost per Project
E	Schedule of Amount Released and Corresponding Assets Acquired
F	<p>Amortization Schedule Showing Principal and Interest Payments of Loans</p> <ol style="list-style-type: none"> <li>1. REFC Loan Amortization Schedule <ul style="list-style-type: none"> <li>- First Released Loan Amortization</li> <li>- Second Released Loan Amortization</li> <li>- Third and Final Released Loan Amortization;</li> </ul> </li> <li>2. DBP Loan Amortization; and</li> <li>3. NEA Loan Amortization Schedule</li> </ol>
G	Copy of the ANECO's pending CAPEX Application docketed as ERC Case No. 2013-129 RC
H	Detailed Schedule of RFSC Utilization for the period of January 2010 to September 2014
I	Indicative Rate Impact of the Project(s), with & without Loan
J	<p>Computation of Financial Ratios, Operating Results, Balance Sheet and Cash Flow</p> <ol style="list-style-type: none"> <li>1. Historical (2009-2013) and Projected Financial Ratios (2014-2023);</li> <li>2. Historical (2013) and Projected Operating Results (2014-2023);</li> <li>3. Historical (2013) and Projected Balance Sheet (2014-2023); and</li> <li>4. Historical (2013) and Projected Cash Flow (2014-2023).</li> </ol>
K	<p>Justification, Study, Computation and Benefits Resulting from Securing Loans</p> <ol style="list-style-type: none"> <li>1. Technical; and</li> <li>2. Financial.</li> </ol>
L	ANECO's Loan Profile with NEA

M	ANECO's Board Resolutions: <ol style="list-style-type: none"><li>1. Resolution No. 21, Series of 2013, "A Resolution Authorizing the Filing with ERC of ANECO's Multi-Year CAPEX Application";</li><li>2. Resolution No. 12, Series of 2013, "A Resolution Approving the 20-mVa Power Substation Project and a Loan Application with Rural Electrification Financing Corporation (REFC) in the Amount of PhP33,291,169.00";</li><li>3. Resolution No. 22, Series of 2013, "A Resolution to Avail of Loan from REFC in the amount of PhP33,291,169.00 payable in five (5) years at 7.75% Annual Interest Rate;</li><li>4. Resolution No. 30, Series of 2014, "A Resolution Authorizing the Loan with the Development Bank of the Philippines (DBP) in the amount of PhP135 Million to partly finance the Coop's CAPEX projects for the years 2014-2016; and</li><li>5. Resolution No. 69, Series of 2014, "A Resolution Authorizing an Additional Loan with the NEA in the amount of PhP97,961,211.47 to Co-Finance with the Coop's CAPEX Projects for the years 2014-2016.</li></ol>
N	Judicial Affidavit in support of the Prayer for Provisional Authority

14. It prays that the Commission:

- a) Approve the application for authority to secure loan; and
- b) Issue, immediately upon filing of the application, a provisional authority to allow it to draw amounts from REFC, NEA and DBP to implement the CAPEX when approved.

Finding the said application sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 3, 2015 (Thursday) at ten o'clock in the morning (10:00 A.M.) at ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

ANECO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the

date of the scheduled initial hearing. It is also directed to inform the consumers, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished 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.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor and the City/Municipal Mayors within ANECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

ANECO is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, ANECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their office, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

ANECO and all interested parties are directed 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:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and

- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of ANECO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the pre-trial conference, ANECO must also be prepared to make an expository presentation of its 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, July 20, 2015.

FOR AND BY AUTHORITY OF  
THE COMMISSION:



**ALFREDO J. NON**  
Officer-in-Charge and  
Commissioner

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**Copy Furnished:**

1. **LERIOS-AMBOY PINGOL & GONZALES LAW OFFICES**  
Attention: **ATTY. MARVEY JAY S. GONZALES**  
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2. **AGUSAN DEL NORTE ELECTRIC COOPERATIVE, INC.**  
**(ANECO)**  
The General Manager  
Km. 2 J.C. Aquino Avenue, Butuan City
3. **Commission on Audit**  
Commonwealth Avenue  
Quezon City
4. **Senate Committee on Energy**  
GSIS Building, Roxas Boulevard  
Pasay City
5. **House Committee on Energy**  
Batasan Hills, Quezon City
6. **Office of the President of PCCI**  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue  
Makati City
7. **Office of the City Mayor**  
Cabadbaran City  
Province of Agusan del Norte
8. **Office of the City Mayor**  
Butuan City  
Province of Agusan del Norte
9. **Office of the Municipal Mayor**  
Municipality of Kticharao  
Province of Agusan del Norte

10. **Office of the Municipal Mayor**  
Municipality of Jabonga  
Province of Agusan del Norte
  
11. **Office of the Municipal Mayor**  
Municipality of Santiago  
Province of Agusan del Norte
  
12. **Office of the Municipal Mayor**  
Municipality of Tubay  
Province of Agusan del Norte
  
13. **Office of the Municipal Mayor**  
Municipality of Remedios T. Romualdez  
Province of Agusan del Norte
  
14. **Office of the Municipal Mayor**  
Municipality of Magallanes  
Province of Agusan del Norte
  
15. **Office of the Municipal Mayor**  
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16. **Office of the Municipal Mayor**  
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17. **Office of the Municipal Mayor**  
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18. **Office of the Municipal Mayor**  
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