

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



IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF INTERIM CAPITAL
EXPENDITURE (CAPEX)
PROJECTS FOR THE YEAR 2014
AND FOR AUTHORITY TO
SECURE LOAN FROM THE
NATIONAL ELECTRIFICATION
ADMINISTRATION (NEA) WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2014-113 RC

SURIGAO DEL SUR I ELECTRIC
COOPERATIVE, INC. (SURSECO I),
Applicant.

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DOCKETED

Date: OCT 14 2014

By: *MV*

ORDER

On August 5, 2014, Surigao Del Sur I Electric Cooperative, Inc. (SURSECO I) filed an application for the approval of its interim capital expenditure (CAPEX) projects for the year 2014 and for authority to secure loan from the National Electrification Administration (NEA), with prayer for provisional authority.

In the said application, SURSECO I alleged, among others, that:

1. It is an electric cooperative (EC) duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at San Fernando, Bislig City, Surigao del Sur;
2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the City of Bislig and the Municipalities of Barobo, Tagbina, Hinatuan and Lingig, all in the Province of Surigao del Sur;

3. Pursuant to the Commission's Resolution No. 26, Series of 2009 and other pertinent rules and regulations, the instant application is filed for the approval of the following CAPEX projects:

Project Type	Project Description	Project Cost (PhP)	Year
Reliability	Replacement of Rotten Pole	1,752,507.00	2014
Reliability	Installation of Vacuum Recloser for San Fernando (M1) and Barobo Substation (M2)	5,569,852.00	2014
Reliability	Primary line looping from Dreamland to Sta. Rita	1,629,132.00	2014
System Loss & Reliability	Replacement of defective and overloaded transformer	3,475,581.00	2014
System Loss	kWh meter clustering	4,332,104.00	2014
Reliability & Safety	Installation of Sectionalizers for Feeder 9	626,005.00	2014
Other CAPEX	Replacement of old and defective kWh meter	1,747,200.00	2014
Other CAPEX	Procurement of kWh meters and service drop wires for residential connections	3,020,506.00	2014
	TOTAL (PhP)	22,152,886.00	

4. **CAPEX Plan.** Its CAPEX projects are discussed in detail in its Distribution Development Plan (DDP) for the year 2014 together with other supporting documents which are attached in the instant application in the Commission's specified templates;
5. **Financing Plan.** Its proposed CAPEX projects will be financed through loans from NEA. Shown below are its projected annual cash flow for the proposed project and Reinvestment Fund for Sustainable CAPEX (RFSC) collection:

Projected Annual Cash Flow of the Proposed CAPEX Projects

Particulars	Amount (PhP)
CAPEX Plan Cost	
Projects (2014)	22,152,886
Total CAPEX Plan Cost	22,152,886
CAPEX Plan Amortization – Existing Loans	7,594,096
CAPEX Plan Amortization – 2014 CAPEX	3,368,832
CAPEX Approval Fee	166,147
Total CAPEX Plan Cost	33,281,961

Projected RFSC Collections

Particulars	Amount (PhP)
Projected kWh Sales	50,656,418
RFSC Rate per kWh	0.4004
Projected RFSC Collection	19,674,345

The tables above show that its projected RFSC collection is not sufficient to cover its annual CAPEX project cost. An adjustment in RFSC rate is necessary to meet its annual CAPEX project cost;

6. **Rate Impact.** Its CAPEX plan is envisioned to have the least rate impact at the most reasonable and justifiable electricity rates or at the least possible cost to its consumers. Shown below is the annual rate impact of its CAPEX plan to its RFSC:

Rate Impact Analysis per kWh

Year	Amortization (PhP)	Annual Sales Forecast (PhP)	Rate Impact per kWh (PhP/kWh)
2015	3,368,825.00	54,699,000.00	0.0616
2016	3,368,825.00	58,130,000.00	0.0579
2017	3,368,825.00	61,680,000.00	0.0546
2018	3,368,825.00	65,333,000.00	0.0515
2019	3,368,825.00	69,076,000.00	0.0488

2020	3,368,825.00	72,907,000.00	0.0462
2021	3,368,825.00	76,821,000.00	0.0438
2022	3,368,825.00	80,908,000.00	0.0416
2023	3,368,825.00	84,953,000.00	0.0396
2024	3,368,825.00	89,200,000.00	0.0377
Total (PhP)	33,688,313.00	-	-

7. It complied with the pre-filing requirement of the Commission;
and
8. It prays that: a) upon initial review of the instant application and pending trial on the merits, a provisional authority be issued permitting it to implement the proposed projects and authorizing it to secure loan from NEA; b) after due notice and hearing, the same be granted permanently; and c) it be allowed to pay the corresponding Commission's permit fee on an installment basis for a period of one (1) year.

Finding the said application to be sufficient in form and in 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 **November 27, 2014 (Thursday) at ten o' clock in the morning (10:00 A.M.) at the SURSECO I's Principal Office, San Fernando, Bislig City, Surigao del Sur;**

SURSECO I is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, 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 Provincial Governor of Surigao del Sur and the Mayors of the City and Municipalities within the franchise area of SURSECO I for the appropriate posting thereof on their respective bulletin boards.

SURSECO I 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, SURSECO I must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence 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 offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

SURSECO I 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 SURSECO I 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, SURSECO I 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, October 7, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson *g-w*


c/sag/910/njs

Copy Furnished:

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2. **Surigao Del Sur I Electric Cooperative, Inc. (SURSECO I)**
San Fernando, Bislig City
Surigao del Sur
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
5. **Senate Committee on Energy**
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
6. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
7. **Office of the Governor**
Province of Surigao del Sur
8. **Office of the City Mayor**
Bislig, Surigao del Sur
9. **Office of the Municipal Mayor**
Barobo, Surigao del Sur
10. **Office of the Municipal Mayor**
Tagbina, Surigao del Sur
11. **Office of the Municipal Mayor**
Hinatuan, Surigao del Sur
12. **Office of the Municipal Mayor**
Lingig, Surigao del Sur