

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



**IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF CAPITAL EXPENDITURE  
PROJECTS FOR THE YEARS 2015  
TO 2017 AND AUTHORITY TO  
SECURE LOAN FROM THE  
NATIONAL ELECTRIFICATION  
ADMINISTRATION (NEA), WITH  
PRAYER FOR PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2015-053 RC**

**DAVAO ORIENTAL ELECTRIC  
COOPERATIVE, INC. (DORECO),  
Applicant.**

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**DOCKETED**  
Date: **AUG 26 2015**

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on March 30, 2015, the Davao Oriental Electric Cooperative, Inc. (DORECO) filed an application for approval of capital expenditure (CAPEX) projects for the years 2015 to 2017 and authority to secure loan from the National Electrification Administration (NEA), with prayer for provisional authority.

In the said application, DORECO alleged, among others, that:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal offices at Madang, Mati City, Davao Oriental;
2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the City of Mati and all the Municipalities in the Province of Davao Oriental, namely: Baganga, Banaybanay, Boston, Caraga, Cateel,

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Governor Generoso, Lupon, Manay, San Isidro and Tarragona;

3. The instant application is being filed for the Commission's consideration and approval of the proposed capital expenditure (CAPEX) projects for years 2015 to 2017, pursuant to the Commission's Resolution No. 26, Series of 2009 and Resolution No. 20, Series of 2011, as well as other pertinent laws and rules;
4. The following are the proposed CAPEX projects subject of the instant application:

PROJECT No.	PROJECT TYPE	PROJECT DESCRIPTION	PROJECT COST (Php)	YEAR OF IMPLEMENTATION
1	NETWORK PROJECTS	Purchase and Installation of SF6 Power Circuit Breaker, 69 KV for Baganga and Cateel Substation	16,200,000.00	2015
3		Uprating/upgrading of Mati SS – Provincial Hospital line section	4,383,103.58	2015
9		Upgrading/uprating of Lupon – Banaybanay line section	5,327,289.62	2015
18/20		Purchase and installation of Automatic Circuit Recloser	17,982,000	2015/2016
21		Uprating/upgrading of San Isidro – Tibanban line section	18,313,445.42	2016
22		Construction/Looping of Mati Substation – Poblacion Three Phase Line (Feeder # 14)	1,661,984.91	2016
35		Relocation of Tomoaong – Baliwagan Three Phase line	3,648,563.09	2017
36		Relocation of Jovellar – Banhawan Three Phase Line	1,354,128.37	2017
37		Relocation of Nanaingan – San Jose Three Phase Line	3,962,699.68	2017
38		Purchase and refurbishment of Pintatagan – Mati 69 KV Subtransmission Line	25,885,993.96	2017

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22	Other Network Project	Purchase and installation of Tariff Metering 2 (Revenue Metering) at the Cateel substation	3,270,000.00	2015
4/23/40		Replacement of old kWh Meter , single phase, 2W, 10(60) A, class 1 and installation for new projected consumers	20,088,000.00	2015/2016/2017
5/24/41		Replacement of old kWh meter, single phase, 2W, class 200, form 1S	864,000.00	2015/2016/2017
39		Purchase and installation of Feeder Metering (check meter) at the Monserrat line section	480,000.00	2017
6/25/42		Distribution Transformer, various size with cut-out & Arrester comb., 100 amperes	15,440,488.03	2015/2016/2017
7	Non-Network Project	Purchase of Maintenance Truck with front drive & winch with Van	11,680,000.00	2015
8		Purchase of Maintenance Vehicles, 4 x 2 M/T 2.5 cc Diesel Engine	3,766,182.00	2015
10		Purchase of Motorcycle, 125 cc	441,000	2015
11		Purchase of Motorcycle, 155 cc	226,800.00	2015
12	Non-Network Project	Construction of three (3)-storey T.S.D. Building	11,948,878.00	2015
13		Construction of one (1) – StoreyManay Action Center Building	3,658,145.98	2015
14		Purchase and Installation of Office Workstation Cubicle	2,478,069.07	2015
15/28/45		Materials and Supplies – Electric	11,842,485.63	2015/2016/2017
16		Laboratory Equipments	5,094,448.80	2015
17		Purchase and Installation of Local Communication/Telephone Trunkline	68,979.25	2015
19		Lot Purchase	2,800,000.00	2015
26		Purchase of Maintenance Vehicle, double cab, dropside, 4x4 pick-up	3,261,063.08	2016
27		Purchase of Office Furnitures and Equipments	341,970.30	2016

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29	Purchase of Tools, Shop, safety gadgets and garage equipment	1,437,749.89	2016
30	Purchase of Service Vehicle, 2.5 cc, Diesel engine, 4 x4 M/T	1,335,337.50	2016
31	Repair and improvement of Staff/Guest House	679,630.46	2016
32	Purchase of Desktop Computer, Laptop, Printers & UPS/AVR	1,233,225.00	2016
33	Purchase of Radio Communication	246,750.00	2016
34	Construction/improvement of Motorpool Building	1,958,748.98	2016
43	Purchase of Service Vehicle, 4 x 2	897,750.00	2017
44	Construction of one (1) storey Cateel Action Center Building	4,464,932.23	2017
46	Purchase of Miscellaneous Equipment	998,550.00	2017
<b>TOTAL PROJECT COST</b>		<b>199,722,395.82</b>	

5. The proposed projects, together with justifications, are discussed in detail in the cooperative's Capital Expenditure Plan and Distribution Development Plan (DDP) for the years 2015 to 2017 together with supporting data presented in the Commission-specified templates;
6. The proposed projects shall be financed through loans from the National Electrification Administration (NEA). Shown below is the summary of the proposed loan from NEA:

Source of Fund	Project Cost to be Financed (PhP)	Annual Project Cost ('000) (PhP)		
		2015	2016	2017
NEA	199,722.00	86,610.00	57,752.00	55,360.00

7. Its cash flow shows that it can viably pursue and implement the proposed projects without necessarily resulting to a significant increase in its electricity rates. The table below shows the projected amounts that it needs annually to cover the cost of the proposed projects including the projected CAPEX approval fee:



8. The whole of its capital expenditure structure also considered previous indebtedness incurred in financing past capital projects outstanding as of 2014, such that including the amortization of said indebtedness will have the cash flow shown in the table below, as follows:

**Summary of Cash Flow Cost of CAPEX Plan including  
Amortization of Past Indebtedness**

	<b>2015</b>	<b>2016</b>	<b>2017</b>
Revenue from RFSC	65,295	37,803	39,001
CAPEX Plan Amortization	9,211	15,353	21,241
CAPEX Approval Fee	650	433	415
Sub-total CAPEX Plan Cost	9,861	15,786	21,656
Previous Loan Amortization	33,295	38,187	43,086
Total CAPEX Plan Cost	43,156	53,973	64,742
Net Cash Flow	22,139.00	(16,170.30)	(25,741.47)

9. The instant CAPEX Plan was envisioned to have the least rate impact focusing on a capital expenditure plan that will bring the value to consumers at the most reasonable and justifiable electricity rates or at the least cost of service. Shown below is the annual rate impact of the CAPEX Plan on its RFSC:

**Rate Impact in Terms of Rate per kWh**

<b>Particulars</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>TOTAL</b>
kWh Sales Projection	94,218	101,158	104,363	299,739
kWh	0.3737	0.3737	0.3737	0.3737
Projected CAPEX Revenue	35,209	37,803	39,000	112,012
Previous Year's Excess on Reinvestment Fund	30,086			30,086
Total CAPEX Fund	65,295	37,803	39,001	142,099
Amortization, new NEA at 6.5% for 15 years	9,211	15,353	21,241	45,805
Permit Fee	650	433	415	1,498
Existing Loans-NEA/Others	33,295	38,137	43,086	114,518
Proposed Capex Requirement	43,156	53,923	64,742	161,821
Revenue Gap	221,410	(16,120)	(25,741)	(197,200)
Indicative Rate Excess/(Shortfall)/(Php/kWh)	<b>0.2350</b>	<b>(0.1594)</b>	<b>(0.2466)</b>	
Total CAPEX Fund (3 years)				142,099
Total Proposed CAPEX Requirements (3 years)				161,821
Total Revenue Gap				(19,720)
Total Forecasted Sales ( 3 years)				299,739
Cumulative Indicative Rate Excess /(Shortfall)				<b>(0.06579)</b>

**Authority to Secure Loan**

10. As shown above, the proposed projects will be financed solely thru loans from the NEA. In this regard, Section 3.2.1.15 of Resolution No. 26, Series of 2009 provides that the “[A]pproval to secure loans sourced from NEA may be filed together with the CAPEX Application”. In view thereof, it likewise applies with the Commission for authority to secure loan from NEA to finance the proposed projects;

**Prayer for the Provisional Authority**

11. Some of the proposed projects need to be implemented while the instant application is pending evaluation, or unforeseen situations or occurrences may arise which might necessitate the immediate implementation of a particular proposed project. In view thereof, it prays for the issuance of a provisional authority while this case is pending, to implement said projects and to obtain loan from NEA to finance the same as may be deemed necessary and urgent under the circumstances. This will enable the cooperative to deliver a safe, more reliable and efficient electric service to its consumers;

**Documentary and Pre-Filing Requirements**

12. In compliance with the documentary as well as pre-filing requirements for the instant application, it submitted the following documents:

<b>Annexes</b>	<b>Nature of Document</b>
A	CAPEX Plan and Distribution Development Plan for 2015 to 2017 with supporting data in ERC-specified templates
B to B-1	Affidavit of Posting with Notice on the Proposed Projects as proof of Public Information Dissemination
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Documents in support of the Application for Authority to Secure Loan from NEA
E	Judicial Affidavit in Support of the Prayer for Provisional Authority

F to F-1	Proof of furnishing of copies of the Application to the Sangguniang Panglungsod of Mati City and Sangguniang Panlalawigan of Davao Oriental
G to G-2	Publication of the Application in a newspaper of general circulation in DORECO's franchise area, with Affidavit of Publication

13. 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 as they may be deemed necessary and urgent under specific circumstances and to secure loan from NEA to finance the projects;
- b. After due notice and hearing, its CAPEX Projects for the years 2015 to 2017 as well as the corresponding application for authority to secure loan from NEA to finance the same be granted and approved accordingly; and
- c. It be allowed to pay the corresponding permit fee on installment over a period of one (1) year.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **October 1, 2015 (Thursday) at two o'clock in the afternoon (2:00 P.M.) at the DORECO's Main Office, Madang, Mati City, Davao Oriental.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 17<sup>th</sup> day of August, 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III