

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO SECURE
LONG TERM LOANS WITH
ANY BANKING/FINANCIAL
INSTITUTIONS AND
MORTGAGE ITS PROPERTIES**

ERC CASE NO. 2016-019 MC

**CAGAYAN ELECTRIC POWER
AND LIGHT COMPANY, INC.
(CEPALCO),**

Applicant.

X-----X

D O C K E T E D
Date: **NOV 28 2016**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 24 June 2016, Cagayan Electric Power and Light Company, Inc. (CEPALCO) filed with the Commission an Application dated 10 June 2016 (Application) for authority to secure long term loans with any banking/financial institutions and mortgage its properties.

In the said application, CEPALCO alleged, the following:

1. CEPALCO is a corporation duly organized and existing under Philippine law, with principal office address at CEPALCO Administration Building, Fr. Masterson Avenue, Upper Balulang, Cagayan de Oro City, and is franchised to construct, own, operate and maintain an electric distribution system in the City of Cagayan de Oro, and in the Municipalities of Tagoloan, Villanueva, and Jasaan, all in the Province of Misamis Oriental;

2. Section 20 of Commonwealth Act No. 146 or otherwise known as the Public Service Act, states that:

“Section 20. Acts requiring the approval of the Commission. - Subject to established limitations and exceptions and saving provisions to the contrary, it shall be unlawful for any public service or for the owner, lessee or operator thereof, without the approval and authorization of the Commission previously had –

*(e) Hereafter to issue .. xxx .. **issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof .. xxx;***

*(g) **To sell, alienate, mortgage, encumber or lease its property, franchises, certificates, privileges,** or rights or any part thereof; or merge or consolidate its property, franchises privileges or rights, or any part thereof, with those of any other public service.”
(Emphasis supplied)*

3. Over the next ten years, CEPALCO expects the total peak demand in its franchise area to double, in the low-growth scenario, or to more than triple, in the high-growth scenario – from the present peak demand of close to 170 MW;
4. To serve this expected load growth, CEPALCO embarks a 10-year capital expenditures plan which include among others, the upgrading or development of additional substations, switchyards, sub-transmission and distribution lines, network automation and supporting ICT projects. This long-term capex plan is aimed to improve system capacity, reliability, efficiency, and comply with safety requirements to meet the fast-growing demand of electricity end-users;
5. To finance the 10-year capex plan, CEPALCO has negotiated for a long-term loan from banks in the aggregate amount of PhP9 Billion mainly because its internally generated funds is insufficient.

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These loans shall be drawn in tranches to match the just-in-time financing need for capital project implementation;

6. While the proceeds of these long-term loans shall be drawn in tranche over the loan availment period, the creditor banks require security to cover the amount already drawn. For the security, CEPALCO entered into a Mortgage Trust Indenture, wherein a trustee bank acts as intermediary between borrower and the creditors in the administration of the properties offered by borrower as security;
7. CEPALCO is mindful that the encumbrances should not adversely affect or be detrimental to the provision of electric service to the customers of CEPALCO. Furthermore, these long-term loans will not affect the rates imposed by CEPALCO to its customers;
8. To support this Application, CEPALCO attached the following:
 - a. Audited Financial Statement for 2015 - as Annex "A";
 - b. List of Projects for 2015-2016 – as Annex "B";
 - c. 2017-2025 Capex Projects Summary – Annex "C"; and
 - d. Utilization of Depreciation Fund Schedule – Annex "D";
9. The approval of this Application will enable CEPALCO to finance the 10-year capex plan that will ultimately promote public interest and convenience because it will enable CEPALCO to provide adequate and reliable electric service to support the fast growing socio-economic development of its franchise area; and
10. CEPALCO prays that the Commission grant it the authority to incur the loans and enter into the loan agreement and mortgage its properties to the creditors as security for said loans.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference and evidentiary hearing on

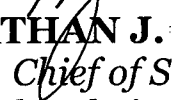
19 January 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.

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 wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The 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 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 21st day of November, 2016 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO