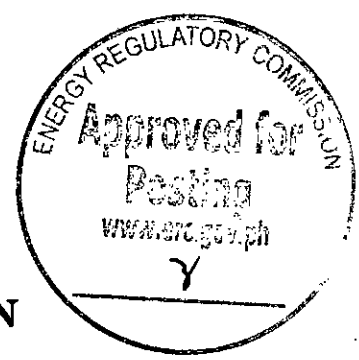


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO SECURE
LOANS TO FINANCE
APPROVED CAPITAL
EXPENDITURE PROJECTS,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2017-012 MC

**SOUTHERN LEYTE
ELECTRIC COOPERATIVE,
INC. (SOLECO),
Applicant.**

X-----X

DOCKETED
Date: FEB 22 2018
By: _____

ORDER

On 29 June 2017, Southern Leyte Electric Cooperative, Inc. (SOLECO) filed an *Application* dated 11 April 2017 seeking the Commission's authority to secure loans, with prayer for the issuance of provisional authority.

SOLECO alleged the following in its *Application*:

APPLICANT, SOUTHERN LEYTE ELECTRIC COOPERATIVE, INC. (SOLECO) through counsel, unto this Honorable Commission, most respectfully alleges that:

THE APPLICANT

1. SOLECO 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 Brgy. Soro-Soro, Maasin City, Southern Leyte;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the city of Maasin and the municipalities of Anahawan, Bontoc, Hinunangan,

Hinundayan, Libagon, Liloan, Limasawa Island, Macrohon, Malitbog, Padre Burgos, Pintuyan, Saint Bernard, San Juan, San Francisco, San Ricardo, Silago, Sogod, Tomas Oppus, all in the province of Southern Leyte.

LEGAL BASIS FOR THE APPLICATION

3. The instant application is being filed pursuant Article 20 (D) of the ERC Rules of Practice and Procedure in relation to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which provides, as follows:

“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 any stock of stock certificates representing an increase of capital; or issue any share or stock without par value; or issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof, provided that it shall be the duty of the Commission, after hearing, to approve any such issue maturing in more than one year from the date thereof, when satisfied that the same is to be made in accordance with the law, and the purpose of such issue be approved by the Commission.”

THE ANTECEDENT FACTS

4. On June 5, 2012, SOLECO filed an application with the Honorable Commission for the approval of its Capital Expenditure Program for Years 2012 to 2015, docketed as ERC Case No. 2012-077 RC;
5. On May 11, 2015, the Honorable Commission rendered its decision in said application, confirming or approving some of the proposed projects at a total evaluated project cost of Two Hundred Forty Seven Million, Eight Hundred Eighty Six Thousand Five Hundred Fifty Five Pesos & 28/100 (PhP247,886,555.28), summarized as follows, to wit:

A. CONFIRMED PROJECTS:

PARTICULARS	CONFIRMED COST (PhP)
Construction of substation at San Isidro, Saint Bernard	7,365,297.89
Renewal Projects	13,865,129.28
Distribution Transformer Requirements	11,236,442.00
Add-on (Service Drop and Metering)	9,941,525.00
Secondary Lines Expansion	9,279,922.00

B. APPROVED PROJECTS:

PARTICULARS	APPROVED COST(PhP)
Construction of Substation at Cambado, Maasin City	43,422,225.00
Safety and Reliability Projects	11,189,995.00
Power Quality Projects for Primary Distribution System	24,025,079.85
Power Quality Projects for Secondary Distribution System	56,906,740.82
Installation of Shunt Capacitor	506,054.25
Primary Line Conversion	12,987,084.11
Primary Line Reconductoring	4,412,549.03
Renewal Projects	7,063,562.16
Distribution Transformer Requirements	9,548,147.00
Add-on (Service Drop and Metering)	12,189,047.00
Secondary Lines Expansion	13,088,814.00
Engineering System Analysis Software	1,500,000.00
Geographical Information System (GIS)	2,000,000.00
Vehicles	5,100,000.00
Tools and Instrument	13,047,257.06
Distribution Automation System (SCADA)	10,000,000.00
Construction of Building for Sub-Offices and Acquisition of a Parcel of Land	20,900,000.00
Total Project Costs (PhP)	247,886,555.28

6. Further in the same decision, the Honorable Commission likewise directed SOLECO to file an application for authority to secure loan to finance the approved projects;
7. Consequently, the cooperative applied for a loan with the Philippine National Bank (PNB) as well as the National Electrification Administration (NEA). PNB granted a loan amount of PhP250,000,000.00 at an interest of 4.50% per annum fixed for ten (10) years. On the other hand, NEA granted a loan amount of PhP15,132,000.00 at an interest of 6% per annum fixed for ten (10) years.
8. In line with its mandate to provide its consumers within its franchise area with safe, efficient, quality, reliable and affordable supply of electric power, SOLECO respectfully seeks authority from this Honorable Commission to secure the loans from PNB and NEA in order to finance the approved projects under ERC Case No. 2012-077 RC.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

9. Applicant respectfully repleads the foregoing allegations as may be material herein;
10. The approved projects have proposed commissioning years starting 2012. The order of priority of the commissioning have

been intended to address problems and deficiencies in SOLECO's distribution network which required immediate solution. Considering the time that had elapsed, it is imperative that said projects be implemented without any further delay;

11. Consequently, SOLECO respectfully moves that upon filing and initial evaluation of the instant application, the cooperative be granted provisional authority to secure loans from the PNB and NEA to finance the remaining approved projects, to enable the cooperative to deliver safe, reliable, quality and affordable electric service to its consumers.

SUPPORTING DOCUMENTS

12. In support of the instant application, SOLECO is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Decision on SOLECO's CAPEX Application docketed as ERC Case No. 2012-171 RC
B	NEA Certification approving SOLECO's loan with NEA and clearance to avail loan with the PNB
C	NEA Loan Amortization Schedule
D	Loan and Assignment Agreement between SOLECO and PNB
E	PNB Pro-Forma Amortization Schedule
F	Loan Releases of NEA
G	List of fixed assets already acquired and the expenses incidental to said acquisition derived from the proceeds of loan, indicating the cost of each type or fixed asset and its date of acquisition
H	Details or specifications of the equipment/projects and/or items to be purchased/built and their estimated cost to which the proceeds of the loan will be utilized and bases/reasonableness of the estimated cost per equipment/project
I	Annual RFSC Utilization (2014 - 2016)
J	NEA Loan Profile as of December 31, 2016
K	Projected Financial Ratios
L	Cost/Benefit Analysis
M	SOLECO's Audited Financial Statements for 2010 -2015

N	Judicial Affidavit in Support of the Prayer for Provisional Authority
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P R A Y E R

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that upon filing of the instant application and pending hearing or evaluation hereof, SOLECO be granted provisional authority to obtain loans from the National Electrification Administration (NEA) and Philippine National Bank (PNB) and as may be warranted under the circumstances to finance the immediate implementation of any of the approved projects, and after due notice and hearing, the application be approved accordingly.

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

Finding the said *Application* to be sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **04 April 2018 at ten o'clock in the morning (10:00 A.M.), at 15th Floor, ERC Hearing Room, Pacific Center Building, San Miguel Ave., Pasig City.**

Accordingly, SOLECO is hereby directed to:

- 1) 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;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor and City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, 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; and

- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all other interested parties are also required 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:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements 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 the said date of cancellation.

SOLECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and to 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, 14 February 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO

LS: /ARG/CLS/APV

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COPY FURNISHED:

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- 5. Senate Committee on Energy**
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- 9. Local Government Unit (LGU) legislative body**
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- 11. Office of the LGU legislative body**
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- 18. Office of the Municipal Mayor**
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- 44. Office of the Municipal Mayor**
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