

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




**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF CAPITAL
EXPENDITURE PROGRAM
FOR YEARS 2019 TO 2021,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)
AND MOTION FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-115 RC

**DAVAO DEL SUR ELECTRIC
COOPERATIVE, INC.
(DASURECO),**

Applicant.

X -----X

DOCKETED
Date: FEB 06 2019
By: 

ORDER

On 07 December 2018, Davao del Sur Electric Cooperative, Inc. (DASURECO) filed an *Application* seeking the Commission's approval of its Capital Expenditure projects for the years 2019 to 2021 and of its authority to secure loan from the National Electrification Administration (NEA), with prayer for the issuance of a provisional authority.

The pertinent provisions of the said *Application* are hereunder quoted as follows:

1. DASURECO is a non-stock, non-profit electric cooperative duly organized and existing under the laws of the Republic of the Philippines, with principal office at Cogon, Digos City, Davao Del Sur;
2. It holds an exclusive franchise from the National Electrification Commission to operate and maintain an electric light and power distribution service in Digos City and in the municipalities of Magsaysay, Sulop, Sta. Cruz,

Hagonoy, Malalag, Bansalan, Padada, Sta. Maria, Sarangani, Matanao, and Kiblawan, province of Davao Del Sur and the municipalities of Jose Abad Santos, Malita and Don Marcelino, province of Davao Occidental.

3. Pursuant to Republic Act No. 9136, ERC Resolution 26, Series of 2009 and other laws and rules, and in line with its mandate to provide safe, quality, efficient and reliable electric service to its consumers, DASURECO seeks approval, confirmation and authority from this Honorable Commission to implement its proposed Capital Expenditure (CAPEX) Program for Years 2019 to 2021;
4. On the other hand, the accompanying application for authority to secure loan from the National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which requires every public service to secure approval and authorization from the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof.
5. DASURECO's proposed CAPEX Projects subject of the instant Application are summarized hereunder, as follows:

PROJECT CATEGORY	PROJECT TYPE	PROJECT TITLE	IMPLEMENTATION YEAR	PROJECT COST (PhP)
Sub-Transmission System Development Projects	Safety	Refurbishment of 69kv Sub-Transmission Asset	2020 - 2021	26,881,516.80
Substation Development Projects	Capacity	New 20MVA Poblacion Digos Substation	2019	76,481,929.00
		New 20MVA Bansalan Substation	2019	67,854,300.00
		Uprating of 5MVA Malalag Substation to 20MVA	2019	57,935,749.00
Primary Distribution Development Projects	Safety	69kV Substation Disconnect Switches	2019	19,110,076.11
		Rehabilitation of dilapidated distribution lines	2019 - 2021	32,831,502.99
		Relocation of distribution line to Road Right-Of-Way	2019	14,547,356.75
	Capacity	Distribution	2019 - 2021	19,945,872.22

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		transformer for increasing consumer's demand			
	Safety Reliability	Buffer Stock	2020 - 2021	70,356,592.74	
	System Loss	Distribution transformer metering	2019 - 2021	18,584,715.00	
Other Capital Expenditure Projects	Safety	Replacement of defective/ exposed terminal and worn-out kWh meter	2019 - 2021	14,349,227.76	
		Main Office Warehouse	2019	12,382,747.21	
	Capacity	Expansion of distribution lines	2019 - 2021	212,462,160.00	
		Customer service dropping materials and kWh meters	2019 - 2021	150,879,813.29	
	System Reliability	Distribution Feeder Automation Phase 1	2020	5,559,504.96	
		Procurement of tools, equipment and safety gadgets	2019 - 2021	6,619,961.03	
	Service Efficiency	Construction of satellite offices	2019 - 2021	16,493,923.96	
		Utility Service Vehicle	2020 - 2021	24,050,000.00	
		Meter Laboratory Equipment	2019 - 2021	40,171,250.00	
		Office Computers	2019 & 2021	5,721,305.36	
		Offices furniture and fixtures	2019	55,759,507.02	
		Information Technology and Communication Infrastructure for DASURECO Headquarters	2019	24,500,181.33	
	Total Project Cost				973,479,192.55

6. The proposed projects together with justifications are discussed in detail in DASURECO's Capital Expenditure Plan Executive Summary with technical and financial analysis and supporting data presented in ERC-specified templates.
7. **Financing Plan.** DASURECO's proposed projects will be financed through a loan from the National Electrification

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Administration (NEA). Presented in the Table below is the CAPEX plan financier to be pursued, to wit:

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED	2019	2020	2021	TOTAL
NEA	973,479,192.55	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55
TOTAL COST	973,479,192.55	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55

8. **Cash Flow.** As shown in the following table, DASURECO's cash flow shows that it can viably pursue and implement the 3-year CAPEX Plan without necessarily effecting a significant increase in its electricity rates. For years 2019, 2020 and 2021, the following table shows that there is a minimal indicative additional rate requirement to cover the costs of the proposed projects, new loan annual amortization, and Permit Fees.

PARTICULARS	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	421,248,351	452,998,017	486,137,810	1,360,384,178
Cash balance beginning, PhP, excess/(shortfall)	106,665,409.08	91,315,183.79	61,666,392.80	106,665,409.08
CASH INFLOWS				
Current year collection @PhPo.2904/kWh	119,883,910.57	128,919,611.65	138,350,931.65	387,154,453.88
Loan proceeds from financial institutions, PhP	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.54
Government subsidy (if any), PhP				-
50% of income on leased properties	3,329,381.84	3,329,381.84	3,329,381.84	9,988,145.53
Total Cash Inflows, PhP	649,070,824.77	348,352,836.19	373,198,130.99	1,370,621,791.95
Available cash for disbursement	755,736,233.85	439,668,019.97	434,864,523.80	1,477,287,201.03
CASH OUTFLOWS				
CAPEX requirement	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55
Old debt (old amortization)	81,921,587.68	84,913,236.34	84,693,518.81	251,528,342.82
New amortization (new CAPEX), PhP	53,413,300.34	75,363,769.32	98,879,892.91	227,656,962.57

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ERC Permit Fee, PhP	3,228,629.69	1,620,778.82	1,736,383.63	6,585,792.15
Total Cash Outflows, PhP	664,421,050.07	378,001,627.17	416,827,612.85	1,459,250,290.09
Cash balance ending, PhP, excess/(shortfall)	91,315,183.79	61,666,392.80	18,036,910.95	18,036,910.95

9. **Rate Impact.** Due to sound financial management, the Cooperative maintains no increase in the RFSC rate. Alongside this practice, DASURECO will secure a loan from NEA, of which, project costs will be amortized at maximum interest rate of six percent (6%) per annum for a period of fifteen (15) years. Amortization payments will be funded by from its collections of Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

The implementation of the proposed CAPEX projects has no rate impact. The table below shows the details of the rate impact for three (3) years.

	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	421,248,351	452,998,017	486,137,810	1,360,384,178
Cash balance beginning, PhP, excess/(shortfall)	106,665,409.08	91,315,183.79	61,666,392.80	106,665,409.08
CASH INFLOWS				
Current year collection @PhPo.2904/kWh	119,883,910.57	128,919,611.65	138,350,931.65	387,154,453.88
Loan proceeds from financial institutions, PhP	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.54
Government subsidy (if any), PhP				-
50% of income on leased properties	3,329,381.84	3,329,381.84	3,329,381.84	9,988,145.53
Total Cash Inflows, PhP	649,070,824.77	348,352,836.19	373,198,130.99	1,370,621,791.95
Available cash for disbursement	755,736,233.85	439,668,019.97	434,864,523.80	1,477,287,201.03
CASH OUTFLOWS				
CAPEX requirement	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55
Old debt (old amortization)	81,921,587.68	84,913,236.34	84,693,518.81	251,528,342.82
New amortization (new				

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CAPEX), PhP	53,413,300.34	75,363,769.32	98,879,892.91	227,656,962.57
ERC Permit Fee, PhP	3,228,629.69	1,620,778.82	1,736,383.63	6,585,792.15
Total Cash Outflows, PhP	664,421,050.07	378,001,627.17	416,827,612.85	1,459,250,290.09
Cash balance ending, PhP, excess/(shortfall)	91,315,183.79	61,666,392.80	18,036,910.95	18,036,910.95
Excess/(shortfall) on RFSC, PhP/kWh	0.2168	0.1361	0.0371	0.0133

10. As shown above, the proposed projects shall be financed through a loan from NEA considering that the cooperative's RFSC is not readily available to finance the implementation of the proposed projects as planned. In view thereof, the cooperative hereby applies for authority from the Honorable Commission to secure said loan from NEA.
11. Applicant replays the foregoing allegations as may be material herein;
12. As shown above, most of the proposed projects are planned for implementation by 2019. By said time, it is expected that the instant application would still be pending evaluation of the Honorable Commission;
13. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
14. In view of the foregoing, Applicant respectfully prays that it be permitted to implement the proposed projects while the instant application is pending, as may be deemed necessary and urgent under prevailing circumstances as well as authority to secure loan from NEA to finance the same, to enable DASURECO to deliver a safe, efficient and more reliable electric service to its consumers.
15. Finally, in compliance with the documentary as well as pre-filing requirements for the instant Application, Applicant is likewise submitting herewith the following documents which are being made as integral parts hereof, to wit:

Markings	Nature of Document
Annex A	CAPEX Plan Executive Summary with supporting data in ERC-specified templates
Annexes B to B-1	Affidavit of Posting of Notice to Consumers; Notice to Consumers

Annex C	Affidavit of Undertaking
Annex D	Supporting documents for the Application for Authority to Secure Loan from NEA
Annex E	Judicial Affidavit in Support of the Motion for Provisional Authority
Annexes F and series	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Digos and Sangguniang Panlalawigan of Davao del Sur
Annexes G and series	Proof of publication of the Application in a newspaper of general circulation in DASURECO's franchise area or where it principally operates

16. DASURECO prays of this Commission that:

- 1) upon initial review of the instant Application and pending evaluation hereof, DASURECO be permitted to implement any of the proposed projects as may be deemed necessary and urgent under prevailing circumstances and secure loan from the National Electrification Administration (NEA) to finance the same; and
- 2) after due notice and hearing, the instant application be approved accordingly.

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

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 the determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **28 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.) at DASURECO Main Office in Cogon, Digos City, Davao del Sur.**

Accordingly, DASURECO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last

publication to be made not later than 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 Governors, the 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, DASURECO 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 affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing was published, and the complete issues of the said newspapers;
- 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 DASURECO 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 OSG, 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.

DASURECO and all 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:

- (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 thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form, to be attached to the Pre-trial Brief.

Failure of DASURECO 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.

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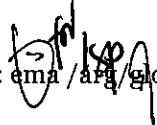
DASURECO must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 04 February 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


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Copy furnished:

1. Atty. Jeremiah D. Francisco
Counsel for DASURECO
Unit 2008 Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City
1. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
2. Commission on Audit
Commonwealth Ave., Quezon City
3. The Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City
4. The House Committee on Energy
Batasan Hills, Quezon City
5. Office of the City Mayor
Digos City, Davao del Sur

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6. Office of the LGU legislative body
Digos City, Davao del Sur
7. Office of the Municipal Mayor
Magsaysay, Davao del Sur
8. Office of the LGU legislative body
Magsaysay, Davao del Sur
9. Office of the Municipal Mayor
Sulop, Davao del Sur
10. Office of the LGU legislative body
Sulop, Davao del Sur
11. Office of the Municipal Mayor
Sta. Cruz, Davao del Sur
12. Office of the LGU Legislative Body
Sta. Cruz, Davao del Sur
13. Office of the Municipal Mayor
Hagonoy, Davao del Sur
14. Office of the LGU Legislative Body
Hagonoy, Davao del Sur
15. Office of the Municipal Mayor
Malalag, Davao del Sur
16. Office of the LGU Legislative Body
Malalag, Davao del Sur
17. Office of the Municipal Mayor
Bansalan, Davao del Sur
18. Office of the LGU Legislative Body
Bansalan, Davao del Sur
19. Office of the Municipal Mayor
Padada, Davao del Sur
20. Office of the LGU Legislative Body
Padada, Davao del Sur
21. Office of the Municipal Mayor
Matanao, Davao del Sur
22. Office of the LGU Legislative Body
Matanao, Davao del Sur
23. Office of the Municipal Mayor
Kiblawan, Davao del Sur
24. Office of the LGU Legislative Body
Kiblawan, Davao del Sur
25. Office of the Municipal Mayor
Santa Maria, Davao del Sur
26. Office of the LGU Legislative Body
Santa Maria, Davao del Sur
27. Office of the Municipal Mayor
Sarangani, Davao del Sur

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28. Office of the LGU Legislative Body
Sarangani, Davao del Sur
29. Office of the Municipal Mayor
Don Marcelino, Davao Occidental
30. Office of the LGU Legislative Body
Don Marcelino, Davao Occidental
31. Office of the Municipal Mayor
Jose Abad Santos, Davao Occidental
32. Office of the LGU Legislative Body
Jose Abad Santos, Davao Occidental
33. Office of the Municipal Mayor
Malita, Davao Occidental
34. Office of the LGU Legislative Body
Malita, Davao Occidental
35. Office of the Governor
Province of Davao del Sur
36. Office of the LGU Legislative Body
Province of Davao del Sur
37. Office of the Governor
Province of Davao Occidental
38. Office of the LGU Legislative Body
Province of Davao Occidental
39. National Grid Corporation of the Philippines (NGCP)
Quezon Avenue corner BIR Road, Diliman, Quezon City
40. ERC-Regulatory Operations Service
17/F Pacific Center Bldg., San Miguel Ave.
Ortigas, Pasig City