

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF PROPOSED  
CAPITAL EXPENDITURE  
PROGRAM FOR THE YEARS  
2016 TO 2018, WITH  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOAN FROM THE  
NATIONAL  
ELECTRIFICATION  
ADMINISTRATION (NEA),  
AND PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2015-156 RC**

**SIARGAO ELECTRIC  
COOPERATIVE, INC.  
(SIARELCO),  
Applicant.**  
X-----X

**DOCKETED**  
Date: APR 13 2016  
By: [Signature]

**ORDER**

On 25 August 2015, Siargao Electric Cooperative, Inc. (SIARELCO) filed before the Commission an Application for approval of the proposed Capital Expenditure (CAPEX) program for the years 2016 to 2018, with application for authority to secure loan from the National Electrification Administration (NEA) and prayer for issuance of provisional authority.

On 12 October 2015, the Commission issued an Order setting the case for initial hearing on 02 December 2015 (Wednesday) at nine o'clock in the morning (9:00 A.M.). On even date, the corresponding Notice of Public Hearing was likewise issued.

On 21 October 2015, Applicant SIARELCO filed a "Manifestation with Motion to Reset Hearing" praying that the scheduled hearing on 02 December 2015 be postponed due to the

[Signature]

unavailability of its Finance and Technical Services Department Managers.


On 23 October 2015, the Commission issued an Order finding SIARELCO's *Manifestation with Motion* meritorious, thereby cancelling the 02 December 2015 hearing until further notice.

On 03 March 2016, SIARELCO filed a "Motion to Set Hearing" praying that the postponed 02 December 2015 initial hearing be reset to 17 May 2016. In view of the said Motion, the instant Order is hereby being issued.

In its 25 August 2015 Application, SIARELCO alleged, among others, the following:

1. Applicant SIARELCO is a non-stock, non-profit electric cooperative duly organized and existing under Philippines law, with principal office at Catabaan, Dapa, Surigao del Norte.
2. SIARELCO holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the Municipalities of Burgos, Dapa, Del Carmen, General Luna, Pilar, San Benito, San Isidro, Sta. Monica, and Socorro, in the Province of Surigao del Norte.
3. Pursuant to Republic Act No. 9136, ERC Resolution No. 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, SIARELCO sought approval, confirmation, and authority from the Energy Regulatory Commission (ERC) to implement its proposed Capital Expenditure (CAPEX) Plan for the years 2016 to 2018.
4. The proposed projects are as follows:

PROJECT TYPE	PROJECT DESCRIPTION	YEAR OF IMPLEMENTATION	PROJECT COST (PHP)
Capacity/ Reliability	Acquisition of 1 X 2 MW and 1 X 1 MW Modular Generator Sets	2016	74,533,744.00
	Supply, Installation and Commissioning of New 10 MVA, 69/34.5 kV	2017	31,017,409.37



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	Substation at Cagdianao, Claver, SDN		
Safety/Reliability	Replacement of Rotten Poles	2017	3,349,225.50
Reliability	Buffer Stock for Contingencies/ Emergency/Calamities	2017	26,131,730.82
Power Quality/ System Loss	Supply, Installation and Commissioning of New 5 MVA 34.5/13.8 kV Substation at Roxas, San Isidro, SDN	2018	26,883,131.77
	Acquisition of New Distribution Transformers, 34.5 kV (19920/240V)	2018	11,121,000.00
	Line Upgrading from Dapa to Roxas, 13.2 kV to 34.5 kV	2018	2,095,986.46
Customer Requirements/ Safety/Reliability	Logistics	2018	9,004,800.00
	TOTAL		184,137,027.92

5. SIARELCO's CAPEX plan for the period 2016-2018 was discussed in detail in its Distribution Development Plan (DDP) for 2016-2018, with technical and financial analysis and support.
6. **Financing Plan** – Applicant SIARELCO's proposed projects will be financed through a loan from NEA and amortizations will be paid out of SIARELCO's collection of Reinvestment Fund for Sustainable Capital Expenditures (RFSC). The table below indicates the amounts to be borrowed over the three year period from SIARELCO's proposed financier.

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED (PHP)	ANNUAL PROJECT COST (PHP)		
		2016	2017	2018
NEA	184,137,028.00	74,533,744.00	60,498,366.00	49,104,918.00

7. **Cash Flow** - SIARELCO's cash flow showed that it can viably pursue and implement the proposed CAPEX Plan. The table below presents the Projected Annual Cash Flow:

	TOTAL (PHP)	FINANCIAL REQUIREMENTS (PHP)		
		2016	2017	2018
NEA	43,072,024.00	8,024,908.00	14,781,488.00	20,265,628.00
CAPEX Permit Fee	1,381,028.00	1,381,028.00	-	-
Total CAPEX Plan Cost to Consumers	44,453,052.00	9,405,936.00	14,781,488.00	20,265,628.00

8. Further, SIARELCO also considered in the whole CAPEX structure, previous indebtedness incurred in financing past CAPEX projects, as seen in the table below:

	2016 (PHP)	2017 (PHP)	2018 (PHP)	TOTAL (PHP)
Revenue from RFSC	11,186,963.00	12,192,479.00	13,203,598.00	36,583,040.00
CAPEX Plan Internal Financing (RFSC)	2,680,507.00	2,673,599.00	2,679,012.00	8,033,118.00
CAPEX Plan Amortization	19,309,673.00	19,309,673.00	19,309,673.00	57,929,019.00
CAPEX Permit Fee	1,381,028.00	-	-	-
Sub-Total CAPEX Plan Cost	23,371,208.00	21,983,272.00	21,988,685.00	67,343,165.00
Previous Loan Amortization	8,163,492.00	8,163,492.00	8,163,492.00	24,490,476.00
Total CAPEX Plan Cost	31,534,700.00	30,146,764.00	30,152,177.00	91,833,641.00
Net Cash Flow	(20,347,737.00)	(17,954,285.00)	(16,948,579.00)	(55,250,601.00)

9. **Rate Impact Analysis** - Applicant SIARELCO pointed out that the CAPEX Plan was envisioned to bring the most value to its consumers at the most reasonable and justifiable electricity rates, such that the implementation of the proposed projects will have a reasonable rate impact of PhPo.8041 per kWh, as shown in the table below:



	2016 (PHP)	2017 (PHP)	2018 (PHP)	TOTAL (PHP)
kWh Sales Forecast	21,012,327.00	22,900,975.00	24,800,147.00	68,713,449.00
Current RFSC Rate per kWh	0.5324	0.5324	0.5324	0.5324
Annual Revenue Cash Flow from RFSC Rate	11,186,963.00	12,192,479.00	13,203,598.00	36,583,040.00
CAPEX Plan Cost Cash Flow	31,534,700.00	30,146,764.00	30,152,177.00	91,833,641.00
Indicative Additional Revenue Requirement	(20,347,737.00)	(17,954,285.00)	(16,948,579.00)	(55,250,601.00)
Current RFSC Rate per kWh	0.5324	0.5324	0.5324	0.5324
CAPEX Plan Cost Cash Flow Indicative Rate per kWh	0.9684	0.7840	0.6834	0.8041
Adjusted RFSC Rate per kWh	1.5008	1.3164	1.2158	1.3365

10. The proposed projects shall be financed through a loan from NEA. This is due to the fact that SIARELCO's RFSC is not readily available; therefore, it cannot finance the implementation of the proposed projects. Applicant SIARELCO sought the authority of the Commission in order that it may obtain the said loan.
11. ***Allegations in Support of the Prayer for Provisional Authority*** - Applicant SIARELCO reiterated the foregoing allegations as they may be material in its prayer for issuance of provisional authority.
12. SIARELCO pointed out that some of the projects may require implementation while the Application is pending evaluation by the Commission.
13. According to SIARELCO, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of the proposed projects.
14. SIARELCO thus moved for the issuance of a provisional authority in order that it may implement the projects as may be necessary. The provisional authority would also

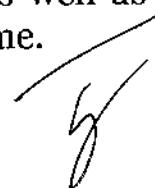
enable SIARELCO to deliver safe, more reliable, and efficient electric service to its consumers.

15. In compliance with the documentary as well as pre-filing requirements for its Application, SIARELCO submitted the following documents:

ANNEXES	NATURE OF DOCUMENT
A	DDP for 2016-2018, with technical and financial analysis and supporting data presented in ERC-prescribed templates
B to B-1	Affidavit of Posting with Notice to Consumers
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Supporting documents for 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 Bayan of Dapa and Sangguniang Panlalawigan of Surigao del Norte
G to G-1	Publication of the Application in a newspaper of general circulation within SIARELCO's franchise area or where it principally operates, with an Affidavit of Publication

16. Applicant SIARELCO prayed for the following:

- a. Issuance of a provisional authority, during the pendency of the Application, permitting SIARELCO to implement the proposed projects as any of these become urgently necessary under prevailing circumstances, as well as to secure loan from NEA to finance the same.



- b. Granting, after due notice and hearing, SIARELCO's CAPEX Plan for 2016 to 2018, as well as the Application for Authority to secure loan from NEA.

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 determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **17 May 2016 (Tuesday) at ten o'clock in the morning (10:00 A.M.), at the SIARELCO's main office, Catabaan, Dapa, Siargao Island, Surigao del Norte.**

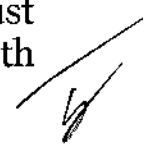
Applicant SIARELCO is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at its own expense, twice (2x) within (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. SIARELCO is likewise directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the 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 and the respective Municipal and City Mayors within the franchise area of SIARELCO for appropriate posting thereof on their respective bulletin boards.

Applicant SIARELCO is hereby directed to furnish all those making requests therefor with a copy of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant SIARELCO must submit to the Commission its written Compliance attaching therewith



the jurisdictional requirements, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned 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.

Applicant SIARELCO and all other 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 thereof 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 Applicant SIARELCO 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, SIARELCO 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, 11 April 2016.

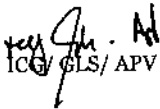




FOR AND BY AUTHORITY  
OF THE COMMISSION:



  
**JOSE VICENTE B. SALAZAR**  
Chairman and CEO ✓

  
ICG/CLS/APV

**Copy Furnished:**

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2. **Siargao Electric Cooperative, Inc. (SIARELCO)**  
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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. **Philippine Chamber of Commerce and Industry (PCCI)**  
1030 Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City
8. **Office of the Governor**  
Province of Surigao del Norte
9. **Office of the Municipal Mayor**  
Burgos, Surigao del Norte



10. **Office of the Municipal Mayor**  
Dapa, Surigao del Norte
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Del Carmen, Surigao del Norte
12. **Office of the Municipal Mayor**  
Gen. Luna, Surigao del Norte
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San Benito, Surigao del Norte
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San Isidro, Surigao del Norte
16. **Office of the Municipal Mayor**  
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17. **Office of the Municipal Mayor**  
Socorro, Surigao del Norte

