

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



**IN THE MATTER OF
THE APPLICATION FOR
APPROVAL OF THE MULTI-YEAR
CAPITAL EXPENDITURE
PROJECTS FOR YEARS 2014-
2016, WITH PRAYER FOR
AUTHORITY TO SECURE LOANS
AND FOR ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2015-213 RC

**COTABATO ELECTRIC
COOPERATIVE, INC. (COTELCO),
for and in behalf of the COTELCO-
PPALMA Business Unit,
Applicant.**

D O U C K E T E D
Date: MAY 10 2016
By: [Signature]

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ORDER

On 18 December 2015, Cotabato Electric Cooperative, Inc. (COTELCO), acting for and in behalf of the COTELCO-PPALMA Business Unit, filed an Application for the approval of its multi-year capital expenditure projects for years 2014 to 2016, with prayer for authority to secure loans and for the issuance of provisional authority.

In support of said Application, COTELCO alleged, among others, the following:

1. COTELCO is a non-stock, non-profit electric cooperative, organized and existing under the laws of the Philippines, with principal office at Manubuan, Matalam, Province of Cotabato. COTELCO was granted a franchise by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the province of Cotabato, particularly in the City of Kidapawan and Municipalities of Makilala, Kabacan, Carmen, Mlang, Tulunan, Matalam, President Roxas, Magpet, Antipas, Arakan, and Banisilan, under Certificate of Franchise No. 204.

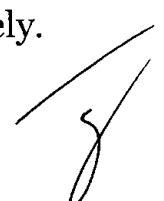
2. COTELCO applied for a franchise with the NEC over the following Municipalities: a) Pigkawayan; b) Libungan; c) Midsayap; d) Alamada; e) Aleosan; and f) Pikit, all in the Province of Cotabato. The NEC, as affirmed with finality by the Court of Appeals (CA), granted said application of COTELCO. A copy of the CA Decision and Entry of Judgment are attached to the Application as **Annexes "A" and "B"**, respectively.
3. The COTELCO– PPALMA Area was created as a separate business unit within the COTELCO franchise under COTELCO Board Resolution No. 57-2012. Thus, COTELCO functions as two (2) business units, namely: COTELCO Main Business Unit and COTELCO-PPALMA Area Business Unit (COTELCO-PPALMA). The said Board Resolution was approved by the National Electrification Administration (NEA) as stated in its 29 October 2012 letter to the Board of Directors of COTELCO. Copies of the Board Resolution and NEA's letter are attached to the Application as **Annexes "C" and "D"**, respectively.

NATURE OF THE APPLICATION

4. The instant Application was filed pursuant to ERC's Rules of Practice and Procedure and other relevant rules and regulations.

COMPLIANCE WITH THE PRE-FILING REQUIREMENTS

5. COTELCO furnished the respective legislative bodies of the local government units where COTELCO-Main and COTELCO-PPALMA principally operate with copies of the Application, including all its annexes and accompanying documents. Proofs of service to the Sangguniang Panlalawigan of Cotabato Province and the Sangguniang Bayan of the Municipalities of Matalam and Midsayap are attached as **Annexes "E", "E-1", and "E-2"** of the Application.
6. COTELCO also published the Application without its annexes in a newspaper of general circulation within its franchise area. Copies of the Affidavit of Publication and the Newspaper where the Application was published are attached to the Application as **Annexes "F" and "F-1"**, respectively.



STATEMENT OF FACTS

7. The COTELCO-PPALMA's Multi-Year Capital Expenditure (CAPEX) Projects are divided into Network and Non-network Projects, as follows:

CAPITAL EXPENDITURE PROJECTS (2014-2016)

PROJECT		YEAR OF IMPLEMENTATION			TOTAL COST
		2014	2015	2016	
Substation					
1	Upgrading of Protection of Villarica Substation		18,773,000.00		18,773,000.00
Primary Line					
2	Refurbishment of Distribution Line		24,458,451.00		24,458,451.00
3	Replacement of Overloaded Distribution Transformers along the Feeders of Gumaga and Villarica Substations		8,903,834.10	2,896,377.75	11,800,211.85
4	Reconductoring of 1.04 kilometer Midsayap Feeder primary line from 2/o ACSR to 336 ACSR		7,759,590.61		7,759,590.61
5	Construction of 3.31 km Double Circuit Line for F33 using 336 ACSR conductor and Transfer/Splitting of Loads			13,811,381.00	13,811,381.00
6	Installation of capacitors along feeders with undervoltage			596,750.00	596,750.00
7	Replacement of Defective Meters			22,400,000.00	22,400,000.00
Other Network					
8	New Connections (Service Drop and Metering Requirements)	4,323,343.60	33,519,578.40	33,297,697.20	71,140,619.20
9	Secondary Distribution Transformer New Customer Connections Project		8,209,320.84	4,560,826.41	12,770,147.25
10	Additional Secondary Line		4,379,844.72	4,379,844.72	8,759,689.44
Non-Network					
11	Lot Purchase and Construction of Office Building and Warehouse		15,000,000.00	22,890,038.45	37,890,038.45
12	Utility Billing Management System (Hardware, Software and Support)	8,394,568.00	6,500,000.00		14,894,568.00

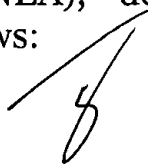
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13	Acquisition of Engineering Simulation Software		2,700,000.00		2,700,000.00
14	Acquisition of Accounting/MSD/Payroll Software(Inclusive of Source Code)		5,807,500.00		5,807,500.00
15	Wide Area Network Infrastructure		38,000,000.00		38,000,000.00
16	Acquisition of Test and Laboratory Equipment		3,650,000.00	8,830,000.00	12,480,000.00
17	Acquisition of Tools and Equipments		364,750.00	364,750.00	729,500.00
18	Installation of Site Equipment Identification and Data Gathering		2,649,600.00	5,929,600.00	8,579,200.00
19	Purchase of Service and Heavy Equipment Maintenance Vehicle		7,730,000.00	15,400,000.00	23,130,000.00
	TOTAL	12,717,911.60	188,405,469.67	135,357,265.53	336,480,646.80

8. The above-enumerated CAPEX Projects are optimal solutions to improve the safety, quality, and reliability of power, as well as reduce system loss in the COTELCO-PPALMA area.
9. COTELCO-PPALMA's Distribution System Map, Customer Profile, Historical and Forecast Planning Data, System Performance Assessment, Project Cost Estimates, Project Financing Plan, Conceptual Engineering Designs and Drawings, Economic and Technical Analysis, and justifications for each project are discussed in detail in COTELCO-PPALMA's CAPEX Plan (**Annex "G"** of the Application).
10. The estimated CAPEX for years 2014 to 2016, exclusive of permit fee, legal and consultancy fees, and capitalized interests, is Three-Hundred Thirty-Six Million Four Hundred Eighty Thousand Six Hundred Forty-Six Pesos and Eighty Centavos (PhP336,480,646.80). The same will be financed through the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and loans obtained from the Development Bank of the Philippines (DBP) and the National Electrification Administration (NEA), details of which are summarized hereunder as follows:

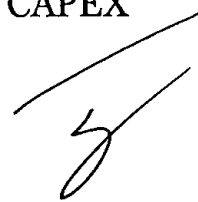


Funding Source	Project Cost (PhP)			Total (PhP)
	2014	2015	2016	
DBP	-	175,451,554.11	125,455,094.40	300,906,648.51
NEA	-	12,953,915.56	9,902,171.13	22,856,086.69
RFSC	12,717,911.60	-	-	12,717,911.60
Grand Total	12,717,911.60	188,405,469.67	135,357,265.53	336,480,646.80

11. The DBP loan, which will earn an interest of six percent (6%) per annum, will be payable in equal quarterly installments for ten (10) years. While the NEA loan, which will earn an interest of eight percent (8%), will be payable in equal quarterly installments for fifteen (15) years. The details of the servicing are indicated in Annex "AB" of the CAPEX Plan.
12. The implementation of all the proposed projects will have an average indicative additional revenue requirement on the RFSC rate by PhP0.3633 per kWh, the details of which are indicated in Annex "AC" of the CAPEX Plan.
13. The proposed CAPEX projects and the loans to finance the same were already approved by COTELCO's Board of Directors.

**ALLEGATIONS IN SUPPORT OF THE PRAYER
FOR AUTHORITY TO SECURE LOANS
AND FOR PROVISIONAL AUTHORITY**

14. The proposed CAPEX Projects need to be immediately implemented as the existing distribution assets in COTELCO-PPALMA area require immediate improvement.
15. The following CAPEX Projects are deemed urgent: (a) replacement of the fuses with a 69 kV circuit breaker; (b) replacement of 106 poles, 96 cross-arms, and 22.935 kilometer distribution lines; and (c) reconductoring of the eight (8) kilometers three-phase backbone line of Midsayap Feeder.
16. COTELCO-PPALMA has no sufficient financial resources to finance the said proposed CAPEX Projects.
17. The Authority to Secure Loans is necessary for the immediate implementation of COTELCO-PPALMA's proposed CAPEX Projects.



18. COTELCO, in behalf of its COTELCO-PPALMA Area Business Unit, will secure loans from DBP and NEA in the amount of PhP300,906,648.51 and PhP22,856, 086.59, respectively, in order to implement the proposed CAPEX Projects.

PRAYER

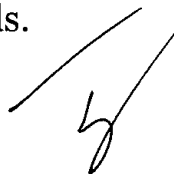
19. COTELCO prays that the Commission grants provisional authority to implement COTELCO-PPALMA's capital expenditure projects for years 2014-2016 and authority to secure loans to finance said projects.

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 hearing for the determination of compliance with jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **21 June 2016 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at COTELCO-PPALMA Main Office, Villarica, Midsayap, Province of Cotabato.**

COTELCO 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 their own expense, twice (2x) within two (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. COTELCO is also directed to inform its consumers within its franchise area, by any other means available and appropriate, of the filing of the Application, the 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 Governor of the Province of Cotabato and the City and Municipal Mayors within COTELCO's franchise area for the appropriate posting thereof on their respective bulletin boards.



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


On the date of the initial hearing and Pre-trial Conference, COTELCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, 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 said Notice of Public Hearing were published, together with the complete issue of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

COTELCO, and all 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 COTELCO 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, COTELCO must also be prepared to make an expository presentation of their Application, aided by whatever communication medium that they 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.

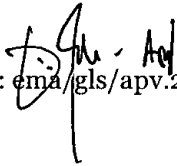
SO ORDERED.

Pasig City, 12 April 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

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Copy furnished:

1. **Atty. Cecilia Layug**
Counsel for COTELCO
Unit 2904, One San Miguel Bldg. San Miguel Ave.
cor. Shaw Blvd., Ortigas, Pasig City
2. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village , Makati City
3. **Commission on Audit**
Commonwealth Ave., Quezon City
4. **The Senate Committee on Energy**
GSIS Building, Roxas Boulevard, Pasay City
5. **The Committee on Energy**
House of Representatives
Batasan Hills, Quezon City
6. **The City Mayor**
Kidapawan City
7. **The Municipal Mayor**
Makilala, Cotabato
8. **The Municipal Mayor**
Kabacan, Cotabato

9. **The Municipal Mayor**
Carmen, Cotabato
10. **The Municipal Mayor**
Mlang, Cotabato
11. **The Municipal Mayor**
Tulunan, Cotabato
12. **The Municipal Mayor**
Matalam, Cotabato
13. **The Municipal Mayor**
President Roxas, Cotabato
14. **The Municipal Mayor**
Magpet, Cotabato
15. **The Municipal Mayor**
Antipas, Cotabato
16. **The Municipal Mayor**
Arakan, Cotabato
17. **The Municipal Mayor**
Banisilan, Cotabato
18. **The Governor**
Province of Cotabato
19. **National Grid Corporation of the Philippines (NGCP)**
Quezon Avenue corner BIR Road, Diliman, Quezon City
20. **Philippine Chamber of Commerce and Industry (PCCI)**
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City

