

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 THE YEARS 2015 TO
2017, WITH MOTION FOR
AUTHORITY TO SECURE
LOAN AND FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2016-136 RC

**SORSOGON II ELECTRIC
COOPERATIVE, INC.
(SORECO II),**

Applicant.

X-----X

D O C K E T E D
Date: OCT 07 2016
By: W

O R D E R

On 30 May 2016, Sorsogon II Electric Cooperative, Inc. (SORECO II) filed an Application dated 21 March 2016 (Application) for the approval of its capital expenditure program for the years 2015 to 2017, with motion for authority to secure loan and for provisional authority.

In the said Application, SORECO II alleged the following:

1. SORECO II is a stock electric cooperative, duly organized and existing under Philippine laws, with principal office at Brgy. Buhatan, Sorsogon City;
2. SORECO II holds an exclusive franchise from the National Electrification Administration to operate an electric light and power distribution service in the City of Sorsogon and six (6) municipalities of the Province of Sorsogon, namely: Donsol, Pilar, Castilla, Gubat, Barcelona and Pieta Diaz;

LEGAL BASIS FOR THE APPLICATION

3. Pursuant to ERC Resolution 26, Series of 2009 as well as other pertinent laws and rules, the Application is being filed for the Commission's consideration and approval of SORECO II's proposed Capital Expenditure (CAPEX) Projects for Years 2015 to 2017.

THE PROPOSED PROJECTS

4. The proposed CAPEX projects subject of the Application are summarized hereunder:

NO.	DESCRIPTION	Project Type	Project Duration	COST (PDV)
1	Uprating of 5 MVA to 10 MVA Power Transformer at Danlog Substation and Rehabilitation of entire structures, protections and controls (retiring old NGCP-owned 5 MVA Power Transformer)	Capacity	2015	33,850,354.00
2	Uprating of 5MVA Power Transformer to 10 MVA Power Transformer at Gubat Substation and Rehabilitation of entire structures, protections and controls	Capacity	2016	31,745,410.64
3	Customer Service Drop & Metering Equipment (New Connection: Residential and Commercial-Big Loads)	Capacity	2015 to 2017	159,603,830.88
4	Distribution Transformer Requirement per KVA	Capacity	2015 to 2017	9,752,889.92
5	Additional Line Secondary Length Requirement	Capacity	2015 to 2017	52,912,424.50
6	Procurement of SF6 Circuit Breaker of Gubat and Balogo Substations	Safety	2016 to 2017	16,226,909.71
7	Installation of Protective Device at the Distribution Line of Balogo, Gubat and Danlog	Safety/Reliability	2015 to 2017	6,885,172.51
8	Supervisory Control and Data Acquisition (SCADA)	Reliability	2016	11,978,593.99
9	Replacement of Defective Kilowatthour Meters	Other Network	2015 to 2017	18,968,953.55
10	Electrification	Electrification	2015	69,584,587.39
11	Meter Reading, Billing and Collection System	Non Network	2016	8,185,446.00
12	Educational & Skills Enhancement of	Non Network	2015 to 2017	2,095,779.90

	Technical Working Group			
13	Procurement of Information Technology Software	Non Network	2015 to 2017	4,977,856.80
14	Procurement of Tools and Equipments	Non Network	2015 to 2017	24,626,137.45
15	Procurement of Vehicles and Trucks	Non Network	2015 to 2017	22,587,330.95
16	Pole Numbering in SORECO II Coverage Area	Non Network	2015	8,113,377.50
17	Data Gathering for System Loss Segregation (Updating)	Non Network	2015 to 2017	983,007.36
18	Construction of Records Building; continuation of construction of Multi-Purpose Building; Construction of Three-Storey Office Building of Castilla and Donsol Branch Offices; and Warehouse Extension Building	Non Network	2016 to 2017	22,333,760.44
TOTAL				505,411,823.50

CAPITAL EXPENDITURE PLAN

5. The proposed projects together with justifications are discussed in detail in SORECO II's Capital Expenditure Plan (CAPEX) and Distribution Development Plan (DDP) for the years 2015 to 2017 together with supporting data presented in ERC-specified templates;

FINANCIAL AND ECONOMIC EVALUATION

6. **Financing Plan.** The proposed projects will be financed partly with the SORECO II's Reinvestment Fund for Sustainable Capital Expenditure (RFSC) and other funds acquired through loans from the National Electrification Administration (NEA) and other lending institutions with the least percentage of interest. Presented below are the CAPEX plan financiers to be pursued and the corresponding costs to be financed:

SOURCE OF FUNDS	TOTAL (PhP)	ANNUAL PROJECT COST (PhP)		
		2015	2016	2017
Reinvestment Fund for Sustainable Capital Expenditures (RFSC)	14,970,613.29		14,970,613.29	
National Electrification Administration (NEA)	490,441,210.21	202,322,984.87	159,374,741.38	128,743,483.96
TOTAL	505,411,823.50	202,322,984.87	174,345,354.67	128,743,483.96

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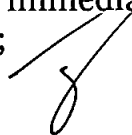
Yearly amortization @ 10 years term 2016		22,689,469.75	22,689,469.75	22,689,469.75	22,689,469.75	22,689,469.75	22,689,469.75
Yearly amortization @ 10 years term 2017			16,754,799.06	16,754,799.06	16,754,799.06	16,754,799.06	16,754,799.06
ERC Permit Fee	966,624.63	1,106,570.85	946,703.97				
Forecasted Energy Sales, kWh	80,317,941.41	86,519,116.51	93,370,334.11	100,917,199.40	109,205,317.54	118,280,293.70	128,187,733.06
Available RFSC	49,128,206.61	79,781,773.50	94,418,720.88	97,506,570.20	107,082,559.29	122,726,077.44	144,993,709.54
current year collection @ 0.6686	53,700,575.62	57,846,681.30	62,427,405.39	67,473,239.52	73,014,675.31	79,082,204.37	85,706,318.33
previous years excess	10,908,841.52	30,642,330.86	38,466,481.78	36,508,496.97	40,543,050.27	50,119,039.35	65,762,557.50
old debt (old amortization)	15,481,210.54	8,707,238.66	6,475,166.29	6,475,166.29	6,475,166.29	6,475,166.29	6,475,166.29
Excess/(shortfall) on RF/MCC if 10 years term	30,642,330.86	38,466,481.78	36,508,496.97	40,543,050.27	50,119,039.35	65,762,557.50	88,030,189.61
Excess/(shortfall) on RF/MCC if 10 years term, PhP/kWh	0.381512901	0.444600954	0.391007458	0.401745694	0.458943213	0.555989129	0.686728656

Long Term Loan 10 years @ 6.5% interest (continuation)

	2022	2023	2024	2025	2026	TOTAL
Yearly amortization @ 10 years term 2015	17,519,251.12	17,519,251.12	17,519,251.12			175,192,511.17
Yearly amortization @ 10 years term 2016	22,689,469.75	22,689,469.75	22,689,469.75	22,689,469.75		226,894,697.54
Yearly amortization @ 10 years term 2017	16,754,799.06	16,754,799.06	16,754,799.06	16,754,799.06	16,754,799.06	167,547,990.65
ERC Permit Fee						3,019,899.46
Forecasted Energy Sales, kWh	138,973,240.79	150,682,422.05	163,360,882.03	177,054,225.89	191,808,058.80	1,538,676,765.30
Available RFSC	174,472,532.11	211,780,113.27	257,564,512.78	312,504,281.99	394,827,715.00	2,046,786,772.60
current year collection @ 0.6686	92,917,508.79	100,746,267.39	109,223,085.73	118,378,455.43	128,242,868.12	1,028,759,285.28
previous years excess	88,030,189.61	117,509,012.18	154,816,593.34	200,600,992.84	273,060,013.17	10,908,841.52
old debt (old amortization)	6,475,166.29	6,475,166.29	6,475,166.29	6,475,166.29	6,475,166.29	88,940,112.06
Excess/(shortfall) on RF/MCC if 10 years term	117,509,012.18	154,816,593.34	200,600,992.84	273,060,013.17	378,072,915.93	1,474,131,673.79
Excess/(shortfall) on RF/MCC if 10 years term, PhP/kWh	0.845551356	1.027436321	1.227962229	1.542239457	1.971100267	0.958051559

**ALLEGATIONS IN SUPPORT OF THE MOTION
FOR AUTHORITY TO SECURE LOAN AND FOR
PROVISIONAL AUTHORITY**

11. The foregoing allegations are incorporated in the Application by reference as may be relevant thereto;
12. Since most of the proposed projects shall be financed thru loans, SORECO II likewise applies with the Commission for authority to secure said loan;
13. As shown also in the table of proposed projects, some of the projects will need implementation while the Application is pending evaluation of the Commission. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;



14. In view thereof, SORECO II respectfully moves for a provisional authority while the case is pending, to implement said projects and to secure loans to finance the same, to enable SORECO II to deliver a safe, more reliable and efficient electric service to its consumers.

DOCUMENTARY AND PRE-FILING REQUIREMENTS

15. Finally, in compliance with the documentary as well as pre-filing requirements for the Application, SORECO II is likewise submitting the following documents which are attached to the Application:

Annex	Nature of Document
A	Distribution Development Plan for 2015 to 2017 with supporting data in ERC-specified templates
B to B-1	Affidavit of Posting with the Notice on the Proposed Projects as proof of public information dissemination
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D	Affidavit in support of the Motion for Provisional Authority
E to E-1	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Sorsogon City and Sangguniang Panlalawigan of Sorsogon
F to F-2	Proof of publication of the Application in a newspaper of general circulation within SORECO II's franchise area or where it principally operates, with Affidavit of Publication

16. SORECO II respectfully prays of this Commission that:
- a. upon initial review or pending evaluation of the Application, SORECO II be granted provisional authority to implement any of the proposed projects as may be deemed necessary and urgent under specific circumstances and to allow SORECO II to secure and draw down on loans to be obtained from the NEA; and
 - b. after due notice and hearing, SORECO II's proposed Capital Expenditure Projects for the years 2015 to 2017 be granted accordingly.



Finding the Application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for initial hearing, expository presentation, Pre-trial Conference and evidentiary hearing on **3 November 2016 (Thursday) at ten o'clock in the morning (10:00 A.M.) at the SORECO II's Main Office, Brgy. Buhatan, Sorsogon City.**

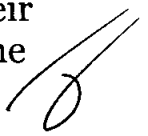
SORECO II is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. SORECO II is also directed to inform its customers 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 Provincial Governor and its Local Government Unit (LGU) Legislative Body, the City and Municipal Mayors, and the LGU Legislative Bodies within SORECO II's franchise area for the appropriate posting thereof on their respective bulletin boards.

SORECO II 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, SORECO II must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences of 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 and Local Government Legislative Bodies, 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 issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

SORECO II 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 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.

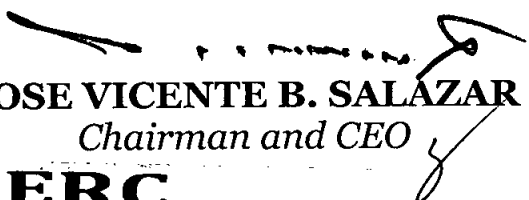
Failure of SORECO II to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the Pre-trial Conference, SORECO II 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, 27 September 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

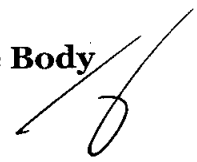
ERC
Office of the Chairman



J-2016-006-OC-05080

Copy Furnished:

1. **DECHAVEZ & EVANGELISTA LAW OFFICES**
Counsel for Applicant SORECO II
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Pearl Drive, Ortigas Center, Pasig City
2. **Sorsogon II Electric Cooperative, Inc. (SORECO II)**
Brgy. Buhatan, Sorsogon City
3. **Office of the Solicitor General**
34 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. **Office of the City Mayor**
City of Sorsogon, Sorsogon
8. **Office of the Local Government Legislative Body**
City of Sorsogon, Sorsogon
9. **Office of the Municipal Mayor**
Donsol, Sorsogon
10. **Office of the Local Government Legislative Body**
Donsol, Sorsogon
11. **Office of the Municipal Mayor**
Pilar, Sorsogon
12. **Office of the Local Government Legislative Body**
Pilar, Sorsogon
13. **Office of the Municipal Mayor**
Castilla, Sorsogon
14. **Office of the Local Government Legislative Body**
Castilla, Sorsogon
15. **Office of the Municipal Mayor**
Gubat, Sorsogon
16. **Office of the Local Government Legislative Body**
Gubat, Sorsogon



17. **Office of the Municipal Mayor**
Barcelona, Sorsogon
18. **Office of the Local Government Legislative Body**
Barcelona, Sorsogon
19. **Office of the Municipal Mayor**
Pieto Diaz, Sorsogon
20. **Office of the Local Government Legislative Body**
Pieto Diaz, Sorsogon
21. **Office of the Governor**
Province of Sorsogon
22. **Office of the Local Government Legislative Body**
Province of Sorsogon
23. **President**
Philippine Chamber of Commerce and Industry (PCCI)
McKinley Town Center, Fort Bonifacio, Taguig
24. **Standards, Compliance and Monitoring Division**
Energy Regulatory Commission
17th Floor, Pacific Center, San Miguel Avenue, Pasig City

