

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA) TO
FINANCE APPROVED
CAPITAL EXPENDITURE
PROJECTS, WITH PRAYER
FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2015-098 MC

**ZAMBOANGA DEL SUR II
ELECTRIC COOPERATIVE,
INC. (ZAMSURECO II),
Applicant.**

D O C K E T E D
Date: **OCT 07 2016**
By: **M/**

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ORDER

On 25 November 2015, the Zamboanga Del Sur II Electric Cooperative, Inc. (ZAMSURECO II) filed an Application dated 17 November 2015 (Application) for the authority to secure loan from the National Electrification Administration (NEA) to finance approved capital expenditure projects, with prayer for issuance of provisional authority.

In the said Application, ZAMSURECO II alleged the following:

1. ZAMSURECO II 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 offices at Pangil, Ipil, Zamboanga Sibugay;

2. It holds an exclusive franchise issued by the National Electrification Commission, to operate an electric light and power distribution service in the municipalities of Lakewood, Bayog, and Kumalarang in the province of Zamboanga del Sur; Buug, Diplahan, Malangas, Imelda, Alicia, Payao, Siay, Kabasalan, Naga, Ipil, Titay, Roseller T. Lim, Tungawan,

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Mabuhay, Talusan, and Olutanga in the province of Zamboanga Sibugay; Sirawai, Siocon, Sibuco and Baliguian in the province of Zamboanga del Norte; and the district of Vitali in Zamboanga City.

LEGAL BASIS FOR THE APPLICATION

3. The instant application is being filed pursuant 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 –

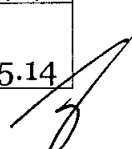
(e) Hereafter to issue any stock of stock certificates representing an increase of capital; or issue any share or stock without par value; or issue any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof, provided that it shall be the duty of the Commission, 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 December 12, 2011, ZAMSURECO II filed an application with the Honorable Commission for the approval of its Capital Expenditure Program for Years 2011 to 2014, docketed as ERC Case No. 2011-171 RC;

5. On March 4, 2013, the Honorable Commission rendered its decision in the said application, approving some of the proposed projects at a total evaluated project cost of Three Hundred Thirty Five Million Five Hundred Forty Thousand Two Hundred Seven Pesos and 86/100 (PhP335,540,207.86), summarized as follows, to wit:

Network Projects		Cost (PhP)
1	Uprating of Pangi substation Power Transformer from 10MVA to 20MVA and Reconfiguration of Feeders	23,647,264.41
2	Refurbishment of Sirawi Substation,	6,081,685.14



	Primary and Secondary Structure	
3	Placement of Automatic Circuit Reclosers	14,571,296.77
4	Reconductoring of Ipil-Titay DX Line from 1/0 All Aluminum Conductor (AAC) to 4/0 Aluminum Conductor Steel Reinforce (ACSR)	3,561,166.00
5	Upgrading of Distribution Line in Pangi Substation Coverage	5,807,595.91
6	Upgrading of Distribution Line in R.T Lim Substation Coverage	8,478,376.29
7	Placement of Automatic Voltage Regulator (AVR) in Olutanga	991,949.66
8	Acquisition of 69kV Subtransmission Asset	84,757,300.00
9	New Customers Accessories and kWh Meters	49,120,004.60
10	Additional Distribution Transformers	37,401,688.00
11	Additional Secondary Lines, Open Secondary and Under Built	31,638,920.99
12	kWh Meters in Replacement for meters in service over 15 years	39,337,434.29
Non-Network Projects		
13	Procurement of Maintenance Vehicles	10,541,400.00
14	Construction of Multi-Purpose Building	2,704,400.16
15	Meter Shop and Transformer Rewinding Building	575,000.00
16	Acquisition of Engineering Analysis Software	1,750,000.00
17	Testing Instrument (Megaohm Meter, Power Quality, Analyser, Earth Tester, Portable meter Test Set)	3,512,011.50

18	Development Project for Billing and Collection System Project	1,232,000.00
19	Computerization Project	6,331,124.14
20	Meter Reading Billing and Collection System Project	3,499,590.00
TOTAL (PhP)		335,540,207.86

6. In the same decision however, the Honorable Commission directed ZAMSURECO II to file a separate application for the acquisition of the National Transmission Corporation (TRANSCO) 69kV subtransmission line/asset, pursuant to the Subtransmission Assets and the Franchising of Qualified Consortiums, as Amended;

7. Further in the same decision, the Honorable Commission likewise directed ZAMSURECO II to file a separate application for authority to secure loan to finance the approved projects;

8. Considering the deferment of implementation of the acquisition of the TRANSCO 69kV Subtransmission Asset with approved cost of PhP84,757,300.00, the net approved project cost to be financed is in the amount of Two Hundred Fifty Million Seven Hundred Eighty Two Thousand Nine Hundred Seven Pesos and 86/100 (Php250,782,907.86);

9. ZAMSURECO II does not have immediate funds necessary to finance the implementation of all the approved projects;

10. Consequently, the cooperative applied for a loan with the National Electrification Administration (NEA) to cover the cost of the projects ready for implementation, which NEA approved in the total amount of Two Hundred Fifty Million Seven Hundred Eighty Three Thousand Pesos (PhP250,783,000.00) for a term of fifteen (15) years at 6.5% interest per annum;

11. In line with its mandate to provide its consumers within its franchise area with safe, efficient, quality, reliable and affordable supply of electric power, ZAMSURECO II respectfully seeks authority from this Honorable Commission to secure the loan from NEA in order to finance the approved projects, except the Acquisition of the 69kV Asset from TRANSCO.

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

12. Applicant respectfully repleads the foregoing allegations as may be material herein;


13. The approved projects have proposed commissioning years starting 2011. The order of priority of the commissioning have been intended to address problems and deficiencies in ZAMSURECO II's distribution network which required immediate solution. Considering the time that had already elapsed, it is imperative that said projects be implemented without any further delay;

14. Consequently, ZAMSURECO II respectfully moves that upon filing and initial evaluation of the instant application, the cooperative be granted provisional authority to secure loan from NEA to finance said projects, to enable the cooperative to deliver safe, reliable, quality and affordable electric service to its consumers.

SUPPORTING DOCUMENTS

15. In support of this application, ZAMSURECO II is submitting herewith the following documents which are being made integral parts hereof, as follows, to wit:

Annex	Nature of Document
A	Decision on the CAPEX Application docketed as ERC Case No. 2011-171 RC
B	NEA Certification of loan approval
C	Summary of Project Cost Estimates
D	Details of Specifications of Projects
E	Bases/Reasonableness of the Estimated Cost per Project
F	Contract of Loan between NEA and ZAMSURECO II
G	Loan Releases of NEA
H	Amortization Schedule for the Released Loan
I	Annual RF/MCC/RFSC Utilization
J	ZAMSURECO II Loan Profile with NEA (2012-2014)
K	Audited Financial Statements for 2011-2014
L	Rate Impact Analysis
M	Computation of Financial Ratios
N	Cost Benefit Analysis



O	Judicial Affidavit in Support of the Prayer for Provisional Authority
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PRAYER

WHEREFORE, premises considered, it is most respectfully prayed of this Honorable Commission that upon filing of the instant application and pending evaluation hereof, ZAMSURECO II be granted provisional authority to obtain loans from the National Electrification Administration (NEA) as may be necessary under the circumstances to finance the immediate implementation of any of the approved projects as urgency may require, 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 sufficient in form and 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 **14 November 2016 (Monday) at two o'clock in the afternoon (2:00 P.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

ZAMSURECO II is hereby directed to 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. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant 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 its Local Government Unit (LGU) Legislative Bodies, the City and Municipal Mayors, and the LGU Legislative Bodies within



ZAMSURECO II's franchise area for the appropriate posting thereof on their respective bulletin boards.


ZAMSURECO 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, ZAMSURECO II must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

ZAMSURECO 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 ZAMSURECO 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.

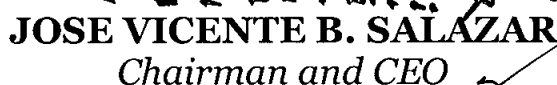


As part of the Pre-trial Conference, ZAMSURECO II must also be prepared to make an Expository Presentation of its Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 19 September 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO

LS: /HH/ARG/APV

ERC
Office of the Chairman

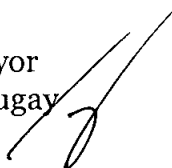


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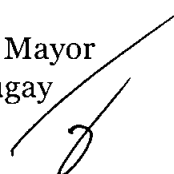
Copy furnished:

1. Dechavez & Evangelista Law Offices
Counsel for Applicant ZAMSURECO II
Units 1609-1610, Tycoon Centre
Pearl Drive, Ortigas Center, Pasig City
2. Zamboanga Del Sur II Electric Cooperative, Inc. (ZAMSURECO II)
Applicant
Pangi, Ipil, Zamboanga Sibugay
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 Building, Roxas Boulevard
Pasay City, Metro Manila

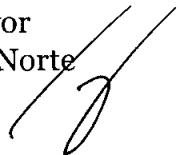
6. House Committee on Energy
Batasan Hills
Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio
Taguig City
8. Office of the Provincial Governor
Province of Zamboanga Sibugay
9. Office of the LGU Legislative Body
Province of Zamboanga Sibugay
10. Office of the Provincial Governor
Province of Zamboanga del Norte
11. Office of the LGU Legislative Body
Province of Zamboanga del Norte
12. Office of the Provincial Governor
Province of Zamboanga del Sur
13. Office of the LGU Legislative Body
Province of Zamboanga del Sur
14. Office of the Municipal Mayor
Lakewood, Zamboanga del Sur
15. Office of the LGU Legislative Body
Lakewood, Zamboanga del Sur
16. Office of the Municipal Mayor
Bayog, Zamboanga del Sur
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Bayog, Zamboanga del Sur
18. Office of the Municipal Mayor
Kumalarang, Zamboanga del Sur
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20. Office of the Municipal Mayor
Buug, Zamboanga Sibugay
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Buug, Zamboanga Sibugay
22. Office of the Municipal Mayor
Diplahan, Zamboanga Sibugay



23. Office of the LGU Legislative Body
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Kabasalan, Zamboanga Sibugay
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Naga, Zamboanga Sibugay
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Ipil, Zamboanga Sibugay
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Ipil, Zamboanga Sibugay
40. Office of the Municipal Mayor
Titay, Zamboanga Sibugay



41. Office of the LGU Legislative Body
Titay, Zamboanga Sibugay
42. Office of the Municipal Mayor
Roseller T. Lim, Zamboanga Sibugay
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Tungawan, Zamboanga Sibugay
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Mabuhay, Zamboanga Sibugay
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Sibuco, Zamboanga del Norte
58. Office of the Municipal Mayor
Baliguian, Zamboanga del Norte

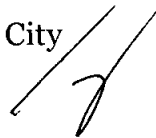


59. Office of the LGU Legislative Body
Baliguian, Zamboanga del Norte

60. Office of the City Mayor
Zamboanga City

61. Office of the LGU Legislative Body
Zamboanga City

62. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Building
San Miguel Avenue, Ortigas Center, Pasig City

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