

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
INCREASE IN CAPITAL
STOCK**

ERC CASE NO. 2018-003 MC

**TARLAC ELECTRIC INC.
(TEI),**

Applicant.

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D O C K E T E D
Date: APR 17 2018
By: W

ORDER

On 15 March 2018, an *Application* dated 6 March 2018 was filed by applicant Tarlac Electric Inc. (TEI) seeking the Commission's approval of the increase of its capital stock.

TEI alleged the following in its *Application*:

1. TEI is a corporation duly organized and existing under Philippine law with principal office address at Mabini Street, Tarlac City; franchised to construct, operate and maintain an electric distribution system in Tarlac City; represented herein by its General Manager, Vitus M. Romero.
2. At the meeting of the stockholders of TEI held at its principal office on October 20, 2017, at which there was a quorum, the stockholders representing at least two-thirds (2/3) of the outstanding capital stock in person or by proxy, approved the increase of TEI's authorized capital stock from TWO HUNDRED MILLION PESOS (P200,000,000.00), divided into Two Hundred Thousand (200,000) shares with a par value of ONE THOUSAND PESOS (P1,000.00) per share, to ONE BILLION PESOS (P1,000,000,000.00), divided into Class A, common, Two Hundred Thousand (200,000) shares of the par value of ONE THOUSAND PESOS (P1,000.00) each and Class B, common, Eight Million (8,000,000) shares of the par value of ONE HUNDRED PESOS (P100.00) each.
3. The increase was likewise approved by at least majority of the directors at the meeting held on October 20, 2017.
4. Of the net increase of Eight Hundred Million Pesos (P800,000,000.00) in the authorized capital stock, Twenty-

Five percent (25%) has been subscribed equivalent to Two Million (2,000,000) shares with a par value of TWO HUNDRED MILLION PESOS (P200,000,000.00) and of the amount subscribed, the amount of TWO HUNDRED MILLION PESOS (P200,000,000.00) has been actually paid and received by the Company in stock for the benefit and to the credit of the Corporation and that said payment represents stock dividend and additional paid in capital of the Corporation.

5. The increase in authorized capital stock is necessary to finance the capital expenditure program of TEI for the next 10 years for purposes of distribution capacity expansion to meet load growth, enhancing its reliability, keep its power quality up to standards and manage its level of system loss to within the cap set by law and its pertinent rules and regulations.
6. Based on its Distribution Development Plan (DDP) for the years 2018 to 2027, TEI's capital expenditure program will entail a total cost of around One Billion One Hundred Fifty-Nine Million Three Hundred Thousand Pesos (P1,159,300,000.00), as shown below:

Year	Amount in Million
2018	553.40
2019	113.90
2020	23.40
2021	23.30
2022	61.90
2023	46.40
2024	38.10
2025	142.00
2026	23.70
2027	133.20
TOTAL	1,159.30

7. TEI's existing paid-up capital as of December 31, 2017, stands at TWO HUNDRED MILLION PESOS (P200,000,000.00) representing One Hundred Percent (100%) of its present authorized capital. TEI intends to finance most of its capital expenditure program from its depreciation fund and its retained earnings. This can be achieved through the declaration of stock

dividends from its present as well as its future retained earnings.

8. In support of this application, TEI submits the following documents:
 - a. 2016 Audited Financial Statement;
 - b. List of projects and/or items of equipment and their estimated cost;
 - c. SEC Certificate of approval of increase of capital stock dated January 22, 2018;
 - d. Joint Stockholder's and Board of Director's Certificate of Increase of Capital Stock with list of present stockholders and their holding dated November 28, 2017;
 - e. Treasurer's Affidavit as required by Sec. 17 of the Corporation Code dated November 28, 2017; and
 - f. SEC Certificate of Filing of Amended Articles of Incorporation dated January 22, 2018 with attached TEI Amended Articles of Incorporation.

PRAYER

WHEREFORE, TEI respectfully prays that the Commission approve TEI's application to increase its authorized capital stock from TWO HUNDRED MILLION PESOS (P200,000,000.00) to ONE BILLION PESOS (P1,000,000,000.00).

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 **8 May 2018 at ten o'clock in the morning (10:00 A.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, TEI is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor,

City Mayor, and the Local Government Unit (LGU) legislative bodies within its 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, Applicant 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 affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 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 Governor, Mayor, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the

Solicitor General (OSG), the Commission on Audit (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.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-trial Conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant 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.

(Intentionally left blank)

TEI 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, what the *Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 5 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS: SLAN/KTB/APV



COPY FURNISHED:

1. Tarlac Electric Inc. (TEI)
Applicant
Mabini Street, Tarlac City
2. Atty. Ranulfo M. Ocampo
Counsel for Applicant TEI
7/F STRATA 100 Bldg., F. Ortigas Jr. Road,
Ortigas Center, Pasig City
3. Office of the Mayor
City of Tarlac
4. Office of the LGU legislative body
City of Tarlac
5. Office of the Governor
Province of Tarlac
7. Office of the Mayor
Province of Tarlac
8. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village, Makati City
9. Commission on Audit (COA)
Commonwealth Avenue, Quezon City
10. Senate Committee on Energy
GSIS Bldg. Roxas Blvd., Pasay City
11. House Committee on Energy
Batasan Hills, Quezon City

12. 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

13. Regulatory Operations Service (ROS)
[Tariffs and Rates Division (TRD)]
17th Floor, Pacific Center Building, San Miguel Avenue, Pasig City