

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE CAPITAL  
EXPENDITURE PLAN FOR  
YEARS 2021 to 2023, WITH  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOAN FROM THE NATIONAL  
ELECTRIFICATION  
ADMINISTRATION AND  
MOTION FOR PROVISIONAL  
AUTHORITY**

**ERC Case No. 2021-012 RC**

**SURIGAO DEL SUR I  
ELECTRIC COOPERATIVE,  
INC. (SURSECO I),**

*Applicant.*

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**Promulgated:**  
March 24, 2021

**ORDER**

On 02 March 2021, Surigao del Sur I Electric Cooperative, Inc. (SURSECO I) filed an *Application with Motion for Provisional Authority* dated 15 January 2021 (Application) for the approval of the capital expenditure plan for years 2021 to 2023, with application for authority to secure loan from the National Electrification Administration and motion for provisional authority.

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. SURSECO I 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 the National Highway, San Fernando, Bislig City, Surigao del Sur;
2. It holds an exclusive franchise from the National Electrification Commission, to operate an electric light and power distribution service in the City of Bislig and four municipalities in the Province of Surigao del Sur, namely: Barobo, Tagbina, Hinatuan and Lingig.

**LEGAL BASES FOR THE APPLICATION**

3. Pursuant to Republic Act No. 9136, ERC Resolution 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, SURSECO I seeks approval, confirmation and authority from this Honorable Commission to implement its Capital Expenditure (CAPEX) Plan for Years 2021 to 2023.
4. On the other hand, the accompanying application for authority to secure loan from the National Electrification Administration (NEA) is being filed pursuant to Section 20 (e) of Commonwealth Act No. 146 otherwise known as the Public Service Act, which requires every public service to secure the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year.

**THE CAPEX PROJECTS**

5. The projects under SURSECO I's CAPEX Plan for Years 2021 to 2023 are summarized hereunder, as follows:

No.	Type	Title	2021 (PhP)	2022 (PhP)	2023 (PhP)	Total
1	Safety	Relocation of Barobo Substation and Upgrading from 5 MVA to 10 MVA Power Transformer and Installation of 69 kV SF6 Dead Tank Circuit Breaker	37,225,437.65			37,225,437.65
2	Safety	Replacement of Rotten Poles and Aged Line Accessories	10,000,000.00	10,000,000.00	10,000,000.00	30,000,000.00
3	Safety	Replacement of Defective and dilapidated distribution transformer	1,776,400.00	1,776,400.00	1,776,400.00	5,329,200.00
4	Capacity	Procurement of KWH Meters and Service Drop Wires for New Connections	4,147,700.00	4,055,300.00	3,970,400.00	12,173,400.00
5	Capacity	Replacement of Overloaded Distribution Transformers	4,218,500.00	4,218,500.00	4,218,500.00	12,655,500.00
6	Capacity	Extension of Primary and Secondary Lines	4,286,422.35	4,437,632.91	4,326,195.00	13,050,250.26
7	Power Quality	Construction of 69KV Line & Installation of			45,388,778.30	45,388,778.30

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No.	Type	Title	2021 (PhP)	2022 (PhP)	2023 (PhP)	Total
		5MVA Tagasaka Substation				
8	System Loss	Replacement of Inefficient and Defective KWH Meters	4,500,000.00	4,500,000.00	4,500,000.00	13,500,000.00
9	Rural Electrification	Construction of lines to supply unenergized sitios under Sitio Electrification Program (SEP)	10,620,965.47	10,872,395.19	9,952,213.48	31,445,574.14
10	Service Efficiency	Procurement of Engineering Analytical Software			2,000,000.00	2,000,000.00
11	Service Efficiency	Procurement of vehicles for maintenance, survey and construction use		23,500,000.00		23,500,000.00
12	Service Efficiency	Procurement of tools and equipment for lineman and engineering section		6,000,000.00	3,000,000.00	9,000,000.00
13	Service Efficiency	Infrastructure Development	3,000,000.00	2,500,000.00		5,500,000.00
14	Service Efficiency	Distribution Systems Automation (Level 1)			21,668,144.00	21,668,144.00
<b>GRAND TOTAL</b>			<b>79,775,425.47</b>	<b>71,860,228.10</b>	<b>110,800,630.78</b>	<b>262,436,284.35</b>

**CAPITAL EXPENDITURE PLAN**

5. The proposed projects are discussed in detail in SURSECO I's Capital Expenditure Plan with technical and financial analysis and supporting data presented in ERC-prescribed templates.

**FINANCIAL AND ECONOMIC EVALUATION**

6. **Financing Plan.** The proposed projects will be financed through a loan from the National Electrification Administration (NEA), with details, as follows:

Source of Funds	Project Cost to be Financed (PhP)	2021 (PhP)	2022 (PhP)	2023 (PhP)
NEA	230,990,710.21	69,154,460.00	60,987,832.91	100,848,417.30

The project "Construction of lines to supply unenergized sitios under Sitio Electrification Program (SEP)" amounting to PhP31,445,574.14 is excluded in the total project cost to be loaned from NEA as the cost thereof shall be subsidized by the national government. Thus, it is not included in the computation of the RFSC rate.

7. **Cash Flow.** SURSECO I's cash flow shows that it can viably

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pursue and implement the 3-year CAPEX Plan without causing any increase in its electricity rates. For the covered 3-year period, it shows that the existing Reinvestment Fund for Sustainable Capital Expenditure (RFSC) rate of the cooperative can sufficiently cover amortizations for the loans to be obtained in financing the proposed projects, outstanding loans incurred in financing past CAPEX projects as well as the ERC permit fees, as shown in the following summary of the annual cash outflow of the CAPEX Plan, to wit:

Particulars	2021 (PhP)	2022 (PhP)	2023 (PhP)	Total (PhP)
Payment of amortizations for new loan	6,953,076.72	13,147,837.16	23,391,385.02	43,492,298.90
ERC Permit Fees	598,315.69	538,951.71	831,004.73	1,968,272.13
Payment of amortization for previous loan	13,221,228.53	14,402,845.70	14,122,784.69	41,746,858.92
<b>Total CAPEX Plan Cost to Customers</b>	<b>20,772,620.94</b>	<b>28,089,634.57</b>	<b>38,345,174.44</b>	<b>87,207,429.95</b>

8. **Rate Impact.** The CAPEX Plan was envisioned to have zero rate impact, focusing on a CAPEX plan that will bring the value to customers with no additional rate on top of the existing RFSC rate. The table below shows that the projected collections from RFSC is sufficient to cover the annual capital project costs, thus, adjustment in RFSC rate is not necessary to meet the obligations of the cooperative with respect thereto.

	2021	2022	2023	TOTAL
Forecasted energy sales, kWh	69,780,713	72,502,445	75,152,002	217,435,160.10
Cash balance beginning, PhP, excess/(shortfall)	550,200.00	7,604,690.45	8,410,153.12	550,200.00
<b>CASH INFLOWS</b>				
Forecasted collection from RFSC @PhPo.4004/kWh at 98% collection efficiency	27,381,393.60	28,449,379.43	29,489,044.31	85,319,817.34
Loan proceeds from financial institutions, PhP	69,154,460.00	60,987,832.91	100,848,417.30	230,990,710.21
50% of income on leased properties	445,717.80	445,717.80	445,717.80	1,337,153.40
Subsidy for SEP	10,620,965.47	10,872,395.19	9,952,213.48	31,445,574.14
Total Cash Inflows, PhP	107,602,536.87	100,755,325.33	140,735,392.89	349,093,255.09
Available cash for disbursement	108,152,736.87	108,360,015.78	149,145,546.01	349,643,455.09
<b>CASH OUTFLOWS</b>				
Payment for CAPEX project	79,775,425.47	71,860,228.10	110,800,630.78	262,436,284.35
Payment for amortization for previous loan	13,221,228.53	14,402,845.70	14,122,784.69	41,746,858.92
Payment for amortization for new loan	6,953,076.72	13,147,837.16	23,391,385.02	43,492,298.90
ERC Permit Fee, PhP	598,315.69	538,951.71	831,004.73	1,968,272.13
Total Cash Outflows, PhP	100,548,046.42	99,949,862.67	149,145,805.22	349,643,714.30
Cash balance ending, PhP, excess/(shortfall)	7,604,690.45	8,410,153.12	(259.21)	(259.21)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	<b>0.1090</b>	<b>0.1160</b>	<b>(0.0000)</b>	<b>(0.0000)</b>

**APPLICATION FOR AUTHORITY TO SECURE LOAN**  
**FROM NEA**

9. As shown above, the proposed projects shall be financed through a loan from the NEA considering that SURSECO I's RFSC is not readily available and therefore cannot finance the implementation of the proposed projects as planned. In view thereof, the cooperative hereby applies for authority from the Honorable Commission to secure said loan from the NEA.

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

10. Applicant repleads foregoing allegations as may be material herein.
11. As shown in the Table of proposed projects, some of the projects may require implementation while the instant Application is pending evaluation of the Honorable Commission.
12. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects.
13. In view thereof, SURSECO 1 respectfully seeks permission from the Honorable Commission, while the instant application is pending, to implement those projects and secure loan from NEA to finance the same, as may be deemed necessary and urgent under prevailing circumstances, to enable the cooperative to deliver a safe, efficient and more reliable electric service to its consumers.

**SUBMISSION OF DOCUMENTARY AND PRE-FILING**  
**REQUIREMENTS**

14. Finally, in compliance with the documentary as well as pre-filing requirements for the instant application, SURSECO I is submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Nature of Document
A	Capital Expenditure Plan for Years 2021 to 2023
B	Affidavit of Posting of the Notice on the Proposed Projects
B-1	Notice on the Proposed Projects
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 the National Electrification Administration
E	Judicial Affidavit in Support of the Motion for Provisional Authority

Annex Markings	Nature of Document
F and series	Proofs of furnishing of copies of the Application to the Sangguniang Panlungsod of Bislig City and Sangguniang Panlalawigan of Surigao del Sur
G and series	Proof of publication of the Application in a newspaper of general circulation in SURSECO I's franchise area or where it principally operates

**PRAYER**

**WHEREFORE**, premises considered, Applicant Surigao del Sur I Electric Cooperative, Inc. (SURSECO I) respectfully prays of this Honorable Commission that:

1. Upon initial review of the instant application and pending evaluation thereof, the cooperative be permitted to implement any of the proposed projects as well as secure loan from the National Electrification Administration (NEA) to finance the same, as may be deemed necessary and urgent under the circumstances; and
2. After due notice and hearing, the Capital Expenditure Plan for Years 2021 to 2023 be approved, and the loan being secured from the NEA to finance the projects be likewise authorized and approved.

Other reliefs, just and equitable in the premises, are likewise prayed for.

Finding the instant *Application* sufficient in substance with the required fees having been paid, the same is hereby set for the determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>1</sup>, dated 24 September 2020:

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>20 April 2021</b> (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	<b>Microsoft Teams Application</b>	Determination of compliance with jurisdictional requirements and Expository Presentation
<b>27 April 2021</b> (Tuesday) at two o'clock in the afternoon (2:00 P.M.)		Pre-trial Conference and Presentation of Evidence

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<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

Accordingly, SURSECO I is hereby directed to host the virtual hearings at **SURSECO I's Principal Office in National Highway, San Fernando, Bislig City, Surigao del Sur**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, Applicant shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, SURSECO I is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* in two (2) newspapers of nationwide 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, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial virtual hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Mayors, and the Local Government Unit (LGU) legislative bodies within SURSECO I's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within the Applicant's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual 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 and attend the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the initial virtual hearing, SURSECO I must submit to the Commission via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph) and [records@erc.gov.ph](mailto:records@erc.gov.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), the scanned copies of 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 Virtual Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Mayors and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by SURSECO I to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, 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 proof of compliance with the requirements of the Commission.

Moreover, SURSECO I is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Offices of the Mayors and Local Legislative Bodies, and to submit proof of its posting thereof.

SURSECO I and all interested parties are also required to submit via e-mail at [docket@erc.ph](mailto:docket@erc.ph) and [records@erc.gov.ph](mailto:records@erc.gov.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled 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 therefor, which should also be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

SURSECO I must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of SURSECO I to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

SURSECO I 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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SURSECO I is hereby directed to file a copy of its expository presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph) and [records@erc.gov.ph](mailto:records@erc.gov.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled initial virtual hearing. SURSECO I shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled initial virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph) and [records@erc.gov.ph](mailto:records@erc.gov.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their

respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

SURSECO I is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.


Finally, Applicant, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, through [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

**SO ORDERED.**

Pasig City, 09 March 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: KMS/ARG/MCCG

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**Copy Furnished:**

1. Surigao Del Sur I Electric Cooperative, Inc. (SURSECO I)  
*Applicant*  
National Highway, San Fernando  
Bislig City, Surigao del Sur  
Email: [surseco\\_1@yahoo.com](mailto:surseco_1@yahoo.com)
2. Dechavez Lerios-Amboy and Evangelista Law Offices  
Attn: Atty. Jeremiah D. Francisco  
*Counsel for Applicant SURSECO I*  
Unit 2008, Tycoon Centre, Pearl Drive  
Ortigas Center, Pasig City 1605  
E-mail: [powerlawfirm@gmail.com](mailto:powerlawfirm@gmail.com)
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City  
[docket@osg.gov.ph](mailto:docket@osg.gov.ph)
4. Commission on Audit  
Commonwealth Avenue, Quezon City  
[citizensdesk@coa.gov.ph](mailto:citizensdesk@coa.gov.ph)
5. Senate Committee on Energy  
GSIS Bldg., Roxas Boulevard, Pasay City  
[senateenergycommittee@gmail.com](mailto:senateenergycommittee@gmail.com)
6. House Committee on Energy  
Batasan Hills, Quezon City  
[committee.energy@house.gov.ph](mailto:committee.energy@house.gov.ph)
7. Office of the President of PCCI  
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  
[secretariat@philippinechamber.com](mailto:secretariat@philippinechamber.com)
8. Office of the Provincial Governor  
Province of Surigao del Sur
9. Office of the Sangguniang Panlalawigan  
Province of Surigao del Sur
10. Office of the Mayor  
City of Bislig
11. Office of the Local Government Unit (LGU) Legislative Body  
City of Bislig
12. Office of the Mayor  
Barobo, Surigao del Sur
13. Office of the LGU Legislative Body  
Barobo, Surigao del Sur
14. Office of the Mayor  
Tagbina, Surigao del Sur
15. Office of the LGU Legislative Body  
Tagbina, Surigao del Sur
16. Office of the Mayor  
Hinatuan, Surigao del Sur
17. Office of the LGU Legislative Body  
Hinatuan, Surigao del Sur
18. Office of the Mayor  
Lingig, Surigao del Sur
19. Office of the LGU Legislative Body  
Lingig, Surigao del Sur
20. Regulatory Operations Service (ROS)  
17<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Ortigas Center 1600, Pasig City