

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF
CAPITAL EXPENDITURE
PROGRAM FOR YEARS 2016
TO 2020**

ERC CASE NO. 2021-083 RC

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

Promulgated:
October 25, 2021

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 12 October 2021, Zamboanga Del Sur I Electric Cooperative, Inc. (ZAMSURECO I) filed an *Application* dated 27 August 2021, seeking for the Commission's approval of its Capital Expenditure (CAPEX) program for years 2016 to 2020.

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

THE APPLICANT

1. ZAMSURECO 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 office at Gov. Vicente M. Cerilles St., Pagadian City, Zamboanga del Sur;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in the City of Pagadian and certain municipalities in the province of Zamboanga Del Sur, namely: Aurora, Dimataling, Dinas, Dumalinao, Dumingag, Guipos, Labangan, Lapuyan, Mahayag, Margosatubig, Midsalip, Molave, R. Magsaysay, San Miguel, San Pablo, Tabina, Tambulig, Tigbao, Tukuran, Sominot (formerly Don Mariano

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Marcos), Pitogo, Josefina and Vincenzo Sagun, and the municipality of Don Victoriano in the province of Misamis Occidental.

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 electricity consumers in its franchise area, ZAMSURECO I seeks approval and authority from this Honorable Commission regarding its implementation of its Capital Expenditure (CAPEX) Program for Years 2016 to 2020.

THE CAPEX PROJECTS

4. The projects under the CAPEX Program for Years 2016 to 2020 are summarized hereunder, as follows:

No.	PROJECT TITLE	PROJECT TYPE	PROJECT COST (PHP)					Total
			2016	2017	2018	2019	2020	
1	Procurement of four (4) units 69 kV Power Circuit Breaker to be installed at Tiguma, Balangasan, San Miguel, and Switch Substations	Safety			12,694,243.96			12,694,243.96
2	Installation of Automatic Circuit Reclosers at identified backbone and lateral lines	Safety					2,576,785.71	2,576,785.71
3	Construction of new 10MVA Substation located at Brgy. San Jose (Romarate), Aurora, Zamboanga del Sur	Capacity		31,500,954.70				31,500,954.70
4	Installation of additional 10MVA Power Transformer to the Existing 10MVA Santa Maria Substation	Capacity					33,139,654.00	33,139,654.00
5	Installation of additional 10MVA Power Transformer to the Existing 10MVA Tiguma Substation	Capacity					33,389,654.00	33,389,654.00
6	Construction of a new substation with 10 MVA Capacity located at the Municipality of Dumalinao, Zamboanga del Sur	Capacity				31,825,238.26		31,825,238.26
7	Uprating of Existing 3-phase Backbone Lines	Capacity	1,278,482.14		14,383,348.68	219,778.58		15,881,609.40
8	Procurement of Electronic kWh-Meters for New Connections	Capacity	8,315,535.27	7,510,331.35	9,882,767.91	5,706,625.75	24,784,298.46	56,199,558.74

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9	Procurement of Service Drop Materials for New Connections	Capacity				9,473,458.52	6,766,334.04	16,239,792.56
10	Procurement of Distribution Transformer and Accessories	Capacity		1,811,927.63	49,058.04	8,039,172.02	1,649,786.46	11,549,944.15
11	Establishment of 5 MVA Power Substation at Brgy. Upper Bayao, Tukuran, Zamboanga del Sur	Power Quality			25,851,132.33			25,851,132.33
12	Installation of 2x7.5 MVAR Capacitor Banks at San Miguel Substation	Power Quality					27,691,850.33	27,691,850.33
13	Replacement of old/damaged bushings/ insulators	Safety			891,964.29	55,880.00		947,844.29
14	Replacement of old, defective and stuck-up KWH Meters	System Loss	369,897.59	5,275,662.77	683,598.22	2,805,686.74	3,949,000.00	13,083,845.32
15	Procurement of Technical Testing Equipment	Service Efficiency						
	• Procurement of Ultrasonic Detector						1,996,000.00	1,996,000.00
	• Procurement of AC/DC Hi-Pot Tester						1,078,778.14	1,078,778.14
	• Procurement of Power Quality Analyzer						688,596.40	688,596.40
	• Procurement of Thermal Scanner			2,749,297.43				2,749,297.43
	• Procurement of kWh Meter Reference Standard			700,965.00				700,965.00
	• Repair of portable kWh Meter testing calibration			447,621.43				447,621.43
	TOTAL		9,963,915.00	49,996,760.31	64,436,113.43	58,125,839.87	137,710,737.54	320,233,366.15
SUBSIDY PROJECTS								
16	Implementation of Sitio Electrification Program (SEP) Projects	Rural Electrification		100,732,040.36		12,758,763.57	39,045,552.35	152,536,356.28
17	Implementation of NIHE Projects	Rural Electrification				57,341,387.37	5,907,462.37	63,248,849.74
	TOTAL		-	100,732,040.36	-	70,100,150.94	44,953,014.72	215,785,206.02
NON-NETWORK/ SERVICE EFFICIENCY PROJECTS								
18	Procurement of New Personal Protective Equipment (PPE)	Safety					7,222,521.24	7,222,521.24
19	Procurement of New Lineman's Tools and Equipment	Safety					3,191,846.00	3,191,846.00
20	Construction of ZAMSURECO-I Central Office Extension Building	Service Efficiency				23,420,039.88	3,233,214.29	26,653,254.17
21	Procurement of Digital Radio Communication System	Service Efficiency				5,214,760.00	2,901,857.14	8,116,617.14
22	Procurement of New Maintenance Vehicles	Service Efficiency		2,474,427.86	7,269,000.00	11,907,797.00	46,239,734.70	67,890,959.56
	TOTAL		-	2,474,427.86	7,269,000.00	40,542,596.88	62,789,173.37	113,075,198.11
Grand Total			9,963,915.00	153,203,228.53	71,705,113.43	168,768,587.69	245,452,925.63	649,093,770.28

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No.	PROJECT TITLE	PROJECT TYPE	PROJECT COST (PHP)					
			2016	2017	2018	2019	2020	Total
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3	Construction of new 10MVA Substation located at Brgy. San Jose (Romarate), Aurora, Zamboanga del Sur	Capacity		31,500,954.70				31,500,954.70
4	Installation of additional 10MVA Power Transformer to the Existing 10MVA Santa Maria Substation	Capacity					33,139,654.00	33,139,654.00
5	Installation of additional 10MVA Power Transformer to the Existing 10MVA Tiguma Substation	Capacity					33,389,654.00	33,389,654.00
6	Construction of a new substation with 10 MVA Capacity located at the Municipality of Dumalinao, Zamboanga del Sur	Capacity				31,825,238.26		31,825,238.26
7	Upgrading of Existing 3-phase Backbone Lines	Capacity	1,278,482.14		14,383,348.68	219,778.58		15,881,609.40
8	Procurement of Electronic kWh-Meters for New Connections	Capacity	8,315,535.27	7,510,331.35	9,882,767.91	5,706,625.75	24,784,298.46	56,199,558.74
9	Procurement of Service Drop Materials for New Connections	Capacity				9,473,458.52	6,766,334.04	16,239,792.56
10	Procurement of Distribution Transformer and Accessories	Capacity		1,811,927.63	49,058.04	8,039,172.02	1,649,786.46	11,549,944.15
11	Establishment of 5 MVA Power Substation at Brgy. Upper Bayao, Tukuran, Zamboanga del Sur	Power Quality			25,851,132.33			25,851,132.33
12	Installation of 2x7.5 MVAR Capacitor Banks at San Miguel Substation	Power Quality					27,691,850.33	27,691,850.33
13	Replacement of old/damaged bushings/ insulators	Safety			891,964.29	55,880.00		947,844.29

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14	Replacement of old, defective and stuck-up KWH Meters	System Loss	369,897.59	5,275,662.77	683,598.22	2,805,686.74	3,949,000.00	13,083,845.32
15	Procurement of Technical Testing Equipment	Service Efficiency						
	• Procurement of Ultrasonic Detector						1,996,000.00	1,996,000.00
	• Procurement of AC/DC Hi-Pot Tester						1,078,778.14	1,078,778.14
	• Procurement of Power Quality Analyzer						688,596.40	688,596.40
	• Procurement of Thermal Scanner			2,749,297.43				2,749,297.43
	• Procurement of kWh Meter Reference Standard			700,965.00				700,965.00
	• Repair of portable kWh Meter testing calibration			447,621.43				447,621.43
	TOTAL		9,963,915.00	49,996,760.31	64,436,113.43	58,125,839.87	137,710,737.54	320,233,366.15
SUBSIDY PROJECTS								
16	Implementation of Sitio Electrification Program (SEP) Projects	Rural Electrification		100,732,040.36		12,758,763.57	39,045,552.35	152,536,356.28
17	Implementation of NIHE Projects	Rural Electrification				57,341,387.37	5,907,462.37	63,248,849.74
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18	Procurement of New Personal Protective Equipment (PPE)	Safety					7,222,521.24	7,222,521.24
19	Procurement of New Lineman's Tools and Equipment	Safety					3,191,846.00	3,191,846.00
20	Construction of ZAMSURECO-I Central Office Extension Building	Service Efficiency				23,420,039.88	3,233,214.29	26,653,254.17
21	Procurement of Digital Radio Communication System	Service Efficiency				5,214,760.00	2,901,857.14	8,116,617.14
22	Procurement of New Maintenance Vehicles	Service Efficiency		2,474,427.86	7,269,000.00	11,907,797.00	46,239,734.70	67,890,959.56
	TOTAL		-	2,474,427.86	7,269,000.00	40,542,596.88	62,789,173.37	113,075,198.11
Grand Total			9,963,915.00	153,203,228.53	71,705,113.43	168,768,587.69	245,452,925.63	649,093,770.28

CAPITAL EXPENDITURE PROGRAM

5. The CAPEX projects are discussed in detail in ZAMSURECO I's Capital Expenditure Program for Years 2016-2020 with technical, economic and financial analysis and supporting data presented in ERC-prescribed templates.

FINANCIAL AND ECONOMIC EVALUATION

5. **Financing Plan.** In the implementation of the projects, ZAMSURECO-I sourced out funds from its existing Reinvestment Fund for Sustainable Capital Expenditure (RFSC) as well as through loans from the National Electrification Administration (NEA) and other financing institutions that provided the most reasonable interest rates,

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thus, advantageous to the Cooperative and its stakeholders. The Cooperative also sought assistance from the Government for the provision of subsidy funds for the implementation of projects under Rural Electrification Program such as sitio line extension projects and household electrification initiatives. The sources of funds are presented in the Table below, as follows:

Fund Sources for the Projects

Source of Fund	2016	2017	2018	2019	2020	Total Amount
RFSC	9,963,915.00	25,559,464.97	71,705,113.43	98,668,436.74	156,242,318.87	362,139,249.01
NEA Loan		26,911,723.20				26,911,723.20
Other Institution					44,257,592.05	44,257,592.05
Subsidy		100,732,040.36		70,100,150.94	44,953,014.72	215,785,206.02
Total Amount	9,963,915.00	153,203,228.53	71,705,113.43	168,768,587.68	245,452,925.64	649,093,770.28

6. Cash Flow and Rate Impact Analysis. A rate impact analysis was made to properly measure the amount of rate increase needed to be able to fully implement the projects. The objective is to be able to present the rate impact in a way that is meaningful and easily understood in a transparent, consistent, and justified manner.
7. The table below shows that ZAMSURECO I's collections from RFSC were sufficient to cover the annual capital project costs, thus, adjustment in RFSC rate was not necessary to meet the obligations of the cooperative with respect thereto.

		2016	2017	2018	2019	2020	TOTAL
Forecasted / Actual Energy Sales, kWh		197,971,605.89	206,205,414.69	222,766,411.35	239,737,417.96	246,885,100.00	1,113,565,949.89
RFSC Rate, PhP / KWh		0.2904	0.2904	0.2904	0.2904	0.2904	0.2904
Beginning balance, PhP, excess / (shortfall)		57,490,954.35	59,882,052.43	64,691,365.86	69,619,746.18	71,695,433.04	323,379,551.85
	PER AFS	122,987,558.47	149,186,083.58	175,553,169.78	161,674,920.79	116,720,135.02	122,987,558.47
CASH INFLOWS							
	Actual RFSC Collection, PhP	58,267,683.88	57,176,405.01	59,431,963.76	57,672,102.21	74,913,220.30	307,461,375.16
	50% income on leased properties, PhP	918,353.26	1,388,689.26	240,808.05	1,503,555.14	1,798,320.06	5,849,725.77
	Proposed Loan proceeds from financial institutions, Php						
	- from subject Application		31,500,954.71			21,634,508.00	53,135,462.71
	Subsidy, for rural electrification projects, Php		100,732,040.36		70,100,150.94	44,953,014.72	215,785,206.02
	- from subject Application						

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	Interest earned from deposits, PhP	153,815.55	189,089.01	199,959.52	171,156.28	105,301.30	819,321.66
	Total Cash Inflows, PhP	59,339,852.69	190,987,178.35	59,872,731.33	129,446,964.57	143,404,364.38	583,051,091.32
Available Cash for Disbursement, PhP		182,327,411.16	340,173,261.93	235,425,901.11	291,121,885.36	260,124,499.40	706,038,649.79
CASH OUTFLOWS							
	Proposed CAPEX requirement, PhP						
	- from subject Application (proposed cost / total cost incurred)	9,963,915.00	153,203,228.53	71,705,113.43	168,768,587.68	245,452,925.63	649,093,770.27
	Approved CAPEX requirement, PhP						
	- from previous Approved CAPEX Application/s (approved total cost incurred)	21,714,840.29	11,373,111.62				33,087,951.91
CASH OUTFLOWS							
	Proposed Annual Amortization, PhP						0.00
	- from subject Application			1,434,081.99	2,369,844.66	2,841,108.01	6,645,034.66
	Approved Annual Amortization, PhP						0.00
	- from previous Approved CAPEX Application/s			611,784.90	3,263,318.00	3,392,376.00	7,267,478.90
	Other fees relative to CAPEX application, PhP*	14,791.47	43,752.00			39,203.28	97,746.75
	Proposed ERC permit fees, PhP						0.00
	- from subject Application						0.00
	Approved ERC permit fees, PhP						0.00
	- from previous CAPEX Application/s**	1,447,780.82					1,447,780.82
	Total Cash Outflows, PhP	33,141,327.58	164,620,092.15	73,750,980.32	174,401,750.34	251,725,612.92	697,639,763.31
Ending Cash Balance, PhP, excess/ (shortfall)		149,186,083.58	175,553,169.78	161,674,920.79	116,720,135.02	8,398,886.48	8,398,886.48

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Rate Impact on RFSC, PhP/ KWh, excess / (shortfall)		0.75	0.85	0.73	0.49	0.03	0.01
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SUBMISSION OF DOCUMENTARY AND PRE-FILING REQUIREMENTS

8. Finally, in compliance with the documentary requirements under ERC Resolution 26, Series of 2009 and pre-filing requirements under the Revised ERC Rules of Practice and Procedure, ZAMSURECO I is submitting herewith the following documents which are being made integral parts hereof, to wit:

Annex Markings	Description of Documents
A	Capital Expenditure Program for Years 2016 to 2020
B	Affidavit of Posting of the Notice to Consumers
B-1	Notice To Consumers
C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required
D series	Proof of furnishing of copies of the Application to the Offices of the Mayor and Sangguniang Panlungsod of Pagadian City and Offices of the Governor and Sangguniang Panlalawigan of Zamboanga del Sur
E series	Proof of publication of the Application in a newspaper of general circulation in ZAMSURECO I's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, Applicant Zamboanga del Sur I Electric Cooperative, Inc. (ZAMSURECO I) respectfully prays of this Honorable Commission that after due notice and hearing, its Capital Expenditure Program for Years 2016 to 2020 be approved and authorized accordingly.

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

The Commission hereby sets the instant *Application* for 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 2020¹ dated 24

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission”.

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September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

Date	Platform	Activity
26 November 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements, and Expository Presentation
10 December 2021 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams	Pre-Trial Conference and Presentation of Evidence

Accordingly, ZAMSURECO I is hereby directed to host the virtual hearing at **ZAMSURECO I's Principal Office at Gov. Vicente M. Cerilles St., Pagadian City, Zamboanga 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, ZAMSURECO I shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through 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.

Moreover, any person who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 18th day of October 2021 in Pasig City.


AGNES VST DEVANADERA
Chairperson and CEO


LS: MVM/ LSP/MCCG

