

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 YEARS 2019 TO 2021,
WITH APPLICATION FOR
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)
AND MOTION FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-115 RC

**DAVAO DEL SUR ELECTRIC
COOPERATIVE, INC.
(DASURECO),**

Applicant.

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DOCKETED
Date: **FEB 06 2019**
By: **[Signature]**

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 07 December 2018, Davao del Sur Electric Cooperative, Inc. (DASURECO) filed an *Application* seeking the Commission's approval of its Capital Expenditure projects for the years 2019 to 2021 and of its authority to secure loan from the National Electrification Administration (NEA), with prayer for the issuance of a provisional authority.

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

1. DASURECO is a non-stock, non-profit electric cooperative duly organized and existing under the laws of the Republic of the Philippines, with principal office at Cogon, Digos City, Davao Del Sur;

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2. It holds an exclusive franchise from the National Electrification Commission to operate and maintain an electric light and power distribution service in Digos City and in the municipalities of Magsaysay, Sulop, Sta. Cruz, Hagonoy, Malalag, Bansalan, Padada, Sta. Maria, Sarangani, Matanao, and Kiblawan, province of Davao Del Sur and the municipalities of Jose Abad Santos, Malita and Don Marcelino, province of Davao Occidental.
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, DASURECO seeks approval, confirmation and authority from this Honorable Commission to implement its proposed Capital Expenditure (CAPEX) Program for Years 2019 to 2021;
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 approval and authorization from the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year from the issuance thereof.
5. DASURECO's proposed CAPEX Projects subject of the instant Application are summarized hereunder, as follows:

PROJECT CATEGORY	PROJECT TYPE	PROJECT TITLE	IMPLEMENTATION YEAR	PROJECT COST (PhP)
Sub-Transmission System Development Projects	Safety	Refurbishment of 69kv Sub-Transmission Asset	2020 - 2021	26,881,516.80
Substation Development Projects	Capacity	New 20MVA Poblacion Digos Substation	2019	76,481,929.00
		New 20MVA Bansalan Substation	2019	67,854,300.00
		Uprating of 5MVA Malalag Substation to 20MVA	2019	57,935,749.00
Primary Distribution	Safety	69kV Substation Disconnect Switches	2019	19,110,076.11
		Rehabilitation of dilapidated distribution lines	2019 - 2021	32,831,502.99
			2019	14,547,356.75

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Development Projects		Relocation of distribution line to Road Right-Of-Way			
	Capacity	Distribution transformer for increasing consumer's demand	2019 - 2021	19,945,872.22	
	Safety Reliability	Buffer Stock	2020 - 2021	70,356,592.74	
	System Loss	Distribution transformer metering	2019 - 2021	18,584,715.00	
Other Capital Expenditure Projects	Safety	Replacement of defective/ exposed terminal and worn-out kWh meter	2019 - 2021	14,349,227.76	
		Main Office Warehouse	2019	12,382,747.21	
	Capacity	Expansion of distribution lines	2019 - 2021	212,462,160.00	
		Customer service dropping materials and kWh meters	2019 - 2021	150,879,813.29	
	System Reliability	Distribution Feeder Automation Phase 1	2020	5,559,504.96	
		Procurement of tools, equipment and safety gadgets	2019 - 2021	6,619,961.03	
	Service Efficiency	Construction of satellite offices	2019 - 2021	16,493,923.96	
		Utility Service Vehicle	2020 - 2021	24,050,000.00	
		Meter Laboratory Equipment	2019 - 2021	40,171,250.00	
		Office Computers	2019 & 2021	5,721,305.36	
		Offices furniture and fixtures	2019	55,759,507.02	
		Information Technology and Communication Infrastructure for DASURECO Headquarters	2019	24,500,181.33	
	Total Project Cost				973,479,192.55

6. The proposed projects together with justifications are discussed in detail in DASURECO's Capital Expenditure Plan

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Executive Summary with technical and financial analysis and supporting data presented in ERC-specified templates.

7. **Financing Plan.** DASURECO's proposed projects will be financed through a loan from the National Electrification Administration (NEA). Presented in the Table below is the CAPEX plan financier to be pursued, to wit:

SOURCE OF FUNDS	PROJECT COST TO BE FINANCED	2019	2020	2021	TOTAL
NEA	973,479,192.55	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55
TOTAL COST	973,479,192.55	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55

8. **Cash Flow.** As shown in the following table, DASURECO's cash flow shows that it can viably pursue and implement the 3-year CAPEX Plan without necessarily effecting a significant increase in its electricity rates. For years 2019, 2020 and 2021, the following table shows that there is a minimal indicative additional rate requirement to cover the costs of the proposed projects, new loan annual amortization, and Permit Fees.

PARTICULARS	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	421,248,351	452,998,017	486,137,810	1,360,384,178
Cash balance beginning, PhP, excess/(shortfall)	106,665,409.08	91,315,183.79	61,666,392.80	106,665,409.08
CASH INFLOWS				
Current year collection @PhPo.2904/kWh	119,883,910.57	128,919,611.65	138,350,931.65	387,154,453.88
Loan proceeds from financial institutions, PhP	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.54
Government subsidy (if any), PhP				-
50% of income on leased properties	3,329,381.84	3,329,381.84	3,329,381.84	9,988,145.53
Total Cash Inflows, PhP	649,070,824.77	348,352,836.19	373,198,130.99	1,370,621,791.95
Available cash for disbursement	755,736,233.85	439,668,019.97	434,864,523.80	1,477,287,201.03
CASH OUTFLOWS				
CAPEX requirement	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55

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Old debt (old amortization)	81,921,587.68	84,913,236.34	84,693,518.81	251,528,342.82
New amortization (new CAPEX), PhP	53,413,300.34	75,363,769.32	98,879,892.91	227,656,962.57
ERC Permit Fee, PhP	3,228,629.69	1,620,778.82	1,736,383.63	6,585,792.15
Total Cash Outflows, PhP	664,421,050.07	378,001,627.17	416,827,612.85	1,459,250,290.09
Cash balance ending, PhP, excess/(shortfall)	91,315,183.79	61,666,392.80	18,036,910.95	18,036,910.95

9. **Rate Impact.** Due to sound financial management, the Cooperative maintains no increase in the RFSC rate. Alongside this practice, DASURECO will secure a loan from NEA, of which, project costs will be amortized at maximum interest rate of six percent (6%) per annum for a period of fifteen (15) years. Amortization payments will be funded by from its collections of Reinvestment Fund for Sustainable Capital Expenditure (RFSC).

The implementation of the proposed CAPEX projects has no rate impact. The table below shows the details of the rate impact for three (3) years.

	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	421,248,351	452,998,017	486,137,810	1,360,384,178
Cash balance beginning, PhP, excess/(shortfall)	106,665,409.08	91,315,183.79	61,666,392.80	106,665,409.08
CASH INFLOWS				
Current year collection @PhPo.2904/kWh	119,883,910.57	128,919,611.65	138,350,931.65	387,154,453.88
Loan proceeds from financial institutions, PhP	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.54
Government subsidy (if any), PhP				-
50% of income on leased properties	3,329,381.84	3,329,381.84	3,329,381.84	9,988,145.53
Total Cash Inflows, PhP	649,070,824.77	348,352,836.19	373,198,130.99	1,370,621,791.95
Available cash for disbursement	755,736,233.85	439,668,019.97	434,864,523.80	1,477,287,201.03
CASH OUTFLOWS				
CAPEX requirement				

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	525,857,532.36	216,103,842.69	231,517,817.50	973,479,192.55
Old debt (old amortization)	81,921,587.68	84,913,236.34	84,693,518.81	251,528,342.82
New amortization (new CAPEX), PhP	53,413,300.34	75,363,769.32	98,879,892.91	227,656,962.57
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Total Cash Outflows, PhP	664,421,050.07	378,001,627.17	416,827,612.85	1,459,250,290.09
Cash balance ending, PhP, excess/(shortfall)	91,315,183.79	61,666,392.80	18,036,910.95	18,036,910.95
Excess/(shortfall) on RFSC, PhP/kWh	0.2168	0.1361	0.0371	0.0133

10. As shown above, the proposed projects shall be financed through a loan from NEA considering that the cooperative's RFSC is not readily available to 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 NEA.
11. Applicant repleads the foregoing allegations as may be material herein;
12. As shown above, most of the proposed projects are planned for implementation by 2019. By said time, it is expected that the instant application would still be pending evaluation of the Honorable Commission;
13. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects;
14. In view of the foregoing, Applicant respectfully prays that it be permitted to implement the proposed projects while the instant application is pending, as may be deemed necessary and urgent under prevailing circumstances as well as authority to secure loan from NEA to finance the same, to enable DASURECO to deliver a safe, efficient and more reliable electric service to its consumers.
15. Finally, in compliance with the documentary as well as pre-filing requirements for the instant Application, Applicant is likewise submitting herewith the following documents which are being made as integral parts hereof, to wit:

Markings	Nature of Document
Annex A	CAPEX Plan Executive Summary with supporting data in ERC-specified templates
Annexes B to B-1	Affidavit of Posting of Notice to Consumers; Notice to Consumers
Annex C	Affidavit of Undertaking
Annex D	Supporting documents for the Application for Authority to Secure Loan from NEA
Annex E	Judicial Affidavit in Support of the Motion for Provisional Authority
Annexes F and series	Proof of furnishing of copies of the Application to the Sangguniang Panlungsod of Digos and Sangguniang Panlalawigan of Davao del Sur
Annexes G and series	Proof of publication of the Application in a newspaper of general circulation in DASURECO's franchise area or where it principally operates

16. DASURECO prays of this Commission that:

- 1) upon initial review of the instant Application and pending evaluation hereof, DASURECO be permitted to implement any of the proposed projects as may be deemed necessary and urgent under prevailing circumstances and secure loan from the National Electrification Administration (NEA) to finance the same; and
- 2) after due notice and hearing, the instant application be approved accordingly.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **28 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.) at DASURECO Main Office in Cogon, Digos City, Davao del Sur.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and address;
- 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC 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 and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **CATHERINE P. MACEDA** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 4th day of February 2019 in Pasig City.


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

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