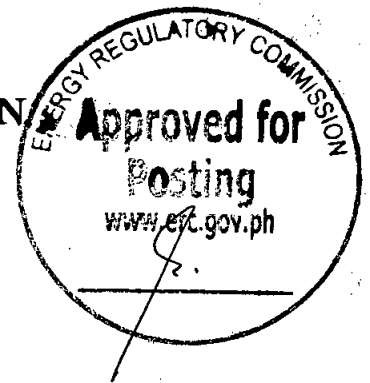


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**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 2015  
By: [Signature]

X ----- X

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 25 November 2015, the Zamboanga Del Sur II Electric Cooperative, Inc. (ZAMSURECO II) filed an Application for the authority to secure loan from the National Electrification Administration (NEA) to finance approved capital expenditure projections, with prayer for 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 Pangi, 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, 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	Upgrading of Pangi substation Power	23,647,264.41

	Transformer from 10MVA to 20MVA and Reconfiguration of Feeders	
2	Refurbishment of Sirawi Substation, Primary and Secondary Structure	6,081,685.14
3	Placement of Automatic Circuit Reclosers	14,571,296.77
4	Reconductoring of Ipil-Titay DX Line from 1/o All Aluminum Conductor (AAC) to 4/o Aluminum Conductor Steel Reinforce (ACSR)	3,561,166.00
5	Upgrading of Distribution Line in Pangli 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
<b>Non-Network Projects</b>		
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	575,000.00

	Building	
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

**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.

The Commission has set the Application 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 (02:00 P.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**


All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the *ERC's Rules of Practice and Procedure*, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the Application or comment thereon at any stage of the proceeding before the applicant concludes the

presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The 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 standard office hours.

**WITNESS**, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 19<sup>th</sup> day of September 2016 at Pasig City.

  
**ATTY. NATHAN J. MARASIGAN**  
*Chief of Staff*  
Office of the Chairman and CEO

  
LS: IHH/CVB/APV