

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



**IN THE MATTER OF
THE APPLICATION FOR
APPROVAL OF THE MULTI-YEAR
CAPITAL EXPENDITURE
PROJECTS FOR YEARS 2014-
2016, WITH PRAYER FOR
AUTHORITY TO SECURE LOANS
AND FOR ISSUANCE OF
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2015-213 RC

**COTABATO ELECTRIC
COOPERATIVE, INC. (COTELCO),
for and in behalf of the COTELCO-
PPALMA Business Unit,
Applicant.**

DOCKETED
Date: MAY 10 2016
By: [Signature]

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

On 18 December 2015, Cotabato Electric Cooperative, Inc. (COTELCO), acting for and in behalf of the COTELCO-PPALMA Business Unit, filed an Application for the approval of its multi-year capital expenditure projects for the years 2014 to 2016, with prayer for authority to secure loans and for the issuance of provisional authority.

In support of said Application, COTELCO alleged, among others, the following:

1. COTELCO is a non-stock, non-profit electric cooperative, organized and existing under the laws of the Philippines, with principal office at Manubuan, Matalam, Province of Cotabato. COTELCO was granted a franchise by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the province of Cotabato,

particularly in the City of Kidapawan and Municipalities of Makilala, Kabacan, Carmen, Mlang, Tulunan, Matalam, President Roxas, Magpet, Antipas, Arakan, and Banisilan, under Certificate of Franchise No. 204.

2. COTELCO applied for a franchise with the NEC over the following Municipalities: a) Pigkawayan; b) Libungan; c) Midsayap; d) Alamada; e) Aleosan; and f) Pikit, all in the Province of Cotabato. The NEC, as affirmed with finality by the Court of Appeals (CA), granted said application of COTELCO. A copy of the CA Decision and Entry of Judgment are attached to the Application as **Annexes "A" and "B"**, respectively.
3. The COTELCO-PPALMA Area was created as a separate business unit within the COTELCO franchise under COTELCO Board Resolution No. 57-2012. Thus, COTELCO functions as two (2) business units, namely: COTELCO Main Business Unit and COTELCO-PPALMA Area Business Unit (COTELCO-PPALMA). The said Board Resolution was approved by the National Electrification Administration (NEA) as stated in its 29 October 2012 letter to the Board of Directors of COTELCO. Copies of the Board Resolution and NEA's letter are attached to the Application as **Annexes "C" and "D"**, respectively.

NATURE OF THE APPLICATION

4. The instant Application was filed pursuant to ERC's Rules of Practice and Procedure and other relevant rules and regulations.

COMPLIANCE WITH THE PRE-FILING REQUIREMENTS

5. COTELCO furnished the respective legislative bodies of the local government units where COTELCO-Main and COTELCO-PPALMA principally operate with copies of the Application, including all its annexes and accompanying documents. Proofs of service to the Sangguniang Panlalawigan of Cotabato Province and Sangguniang Bayan of the Municipalities of Matalam and Midsayap are attached as **Annexes "E", "E-1", and "E-2"** of the Application.

6. COTELCO also published the Application without its annexes in a newspaper of general circulation within its franchise area. Copies of the Affidavit of Publication and the Newspaper where the Application was published are attached to the Application as **Annexes “F” and “F-1”**, respectively.

STATEMENT OF FACTS

7. The COTELCO-PPALMA's Multi-Year Capital Expenditure (CAPEX) Projects are divided into Network and Non-network Projects, as follows:

CAPITAL EXPENDITURE PROJECTS (2014-2016)

PROJECT		YEAR OF IMPLEMENTATION			TOTAL COST
		2014	2015	2016	
Substation					
1	Upgrading of Protection of Villarica Substation		18,773,000.00		18,773,000.00
Primary Line					
2	Refurbishment of Distribution Line		24,458,451.00		24,458,451.00
3	Replacement of Overloaded Distribution Transformers along the Feeders of Gumaga and Villarica Substations		8,903,834.10	2,896,377.75	11,800,211.85
4	Reconductoring of 1.04 kilometer Midsayap Feeder primary line from 2/0 ACSR to 336 ACSR		7,759,590.61		7,759,590.61
5	Construction of 3.31 km Double Circuit Line for F33 using 336 ACSR conductor and Transfer/Splitting of Loads			13,811,381.00	13,811,381.00
6	Installation of capacitors along feeders with undervoltage			596,750.00	596,750.00
7	Replacement of Defective Meters			22,400,000.00	22,400,000.00
Other Network					
8	New Connections (Service Drop and Metering Requirements)	4,323,343.60	33,519,578.40	33,297,697.20	71,140,619.20
9	Secondary Distribution Transformer New Customer Connections Project		8,209,320.84	4,560,826.41	12,770,147.25
10	Additional Secondary Line		4,379,844.72	4,379,844.72	8,759,689.44
Non-Network					
11	Lot Purchase and		15,000,000.00	22,890,038.45	37,890,038.45

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	Construction of Office Building and Warehouse				
12	Utility Billing Management System (Hardware, Software and Support)	8,394,568.00	6,500,000.00		14,894,568.00
13	Acquisition of Engineering Simulation Software		2,700,000.00		2,700,000.00
14	Acquisition of Accounting/MSD/Payroll Software(Inclusive of Source Code)		5,807,500.00		5,807,500.00
15	Wide Area Network Infrastructure		38,000,000.00		38,000,000.00
16	Acquisition of Test and Laboratory Equipment		3,650,000.00	8,830,000.00	12,480,000.00
17	Acquisition of Tools and Equipments		364,750.00	364,750.00	729,500.00
18	Installation of Site Equipment Identification and Data Gathering		2,649,600.00	5,929,600.00	8,579,200.00
19	Purchase of Service and Heavy Equipment Maintenance Vehicle		7,730,000.00	15,400,000.00	23,130,000.00
	TOTAL	12,717,911.60	188,405,469.67	135,357,265.53	336,480,646.80

8. The above-enumerated CAPEX Projects are optimal solutions to improve the safety, quality, and reliability of power, as well as reduce system loss in the COTELCO-PPALMA area.
9. COTELCO-PPALMA's Distribution System Map, Customer Profile, Historical and Forecast Planning Data, System Performance Assessment, Project Cost Estimates, Project Financing Plan, Conceptual Engineering Designs and Drawings, Economic and Technical Analysis, and justifications for each project are discussed in detail in COTELCO-PPALMA's CAPEX Plan (**Annex "G"** of the Application).
10. The estimated CAPEX for years 2014 to 2016, exclusive of permit fee, legal and consultancy fees, and capitalized interests, is Three-Hundred Thirty-Six Million Four Hundred Eighty Thousand Six Hundred Forty Six Pesos and Eighty Centavos (PhP 336,480,646.80). The same will be financed through the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and loans obtained from Development Bank of the Philippines (DBP) and NEA, details of which are summarized hereunder as follows:

Funding Source	Project Cost (PhP)			Total (PhP)
	2014	2015	2016	
DBP	-	175,451,554.11	125,455,094.40	300,906,648.51
NEA	-	12,953,915.56	9,902,171.13	22,856,086.69
RFSC	12,717,911.60	-	-	12,717,911.60
Grand Total	12,717,911.60	188,405,469.67	135,357,265.53	336,480,646.80

11. The DBP loan, which will earn an interest of six percent (6%) per annum, will be payable in equal quarterly installments for ten (10) years. While the NEA loan, which will earn an interest of eight percent (8%), will be payable in equal quarterly installments for fifteen (15) years. The details of the servicing are indicated in Annex "AB" of the CAPEX Plan.
12. The implementation of all the proposed projects will have an average indicative additional revenue requirement on the RFSC rate by PhPo.3633 per kWh, the details of which are indicated in Annex "AC" of the CAPEX Plan.
13. The proposed CAPEX projects and the loans to finance the same were already approved by COTELCO's Board of Directors.

**ALLEGATIONS IN SUPPORT OF THE PRAYER
FOR AUTHORITY TO SECURE LOANS
AND PROVISIONAL AUTHORITY**

14. The proposed CAPEX Projects need to be immediately implemented as the existing distribution assets in COTELCO-PPALMA area require immediate improvement.
15. The following CAPEX Projects are deemed urgent: (a) replacement of the fuses with a 69 kV circuit breaker; (b) replacement of 106 poles, 96 cross-arms, and 22.935 kilometer distribution lines; and (c) reconductoring of the eight (8) kilometers three-phase backbone line of Midsayap Feeder.
16. COTELCO-PPALMA has no sufficient financial resources to finance the said proposed CAPEX Projects.
17. The Authority to Secure Loans is necessary for the immediate implementation of COTELCO-PPALMA's proposed CAPEX Projects.
18. COTELCO, in behalf of its COTELCO-PPALMA Area Business Unit, will secure loans from DBP and NEA in the amount of

PhP300,906,648.51 and PhP22,856, 086.59, respectively, in order to implement the proposed CAPEX Projects.

PRAYER

19. COTELCO prays that the Commission grants provisional authority to implement COTELCO-PPALMA's capital expenditure projects for years 2014-2016 and authority to secure loans to finance said projects.

The Commission has set the Application for initial hearing, expository presentation, pre-trial conference, and presentation of evidence on **21 June 2016 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at COTELCO-PPALMA Main Office, Villarica, Midsayap, Province of Cotabato.**

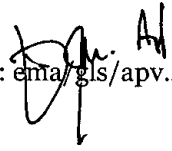
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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 conclude 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. 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 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 12th day of April 2016 in Pasig City.


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


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