

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 (CAPEX)
PROJECTS FOR YEARS 2019-
2022 AND AUTHORITY TO
SECURE LOAN FROM THE
NATIONAL ELECTRIFICATION
ADMINISTRATION (NEA)
AND/OR OTHER FINANCIAL
INSTITUTIONS, WITH PRAYER
FOR ISSUANCE OF
PROVISIONAL AUTHORITY
(PA)**

ERC CASE NO. 2020-038 RC

**SOUTH COTABATO I ELECTRIC
COOPERATIVE, INC.
(SOCOTECO I),**

Promulgated:
February 4, 2021

Applicant.

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 October 2020, South Cotabato I Electric Cooperative Inc. (SOCOTECO I) filed an *Application*, dated 14 May 2020 (Application), seeking the Commission's approval of the Multi-Year Capital Expenditure (CAPEX) Projects for Years 2019-2022 and authority to secure loan from the National Electrification Administration (NEA) and/or other financial institutions with prayer for provisional authority.

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

1. SOCOTECO 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

Barangay Morales, National Highway, City of Koronadal,
South Cotabato.

2. It holds an exclusive franchise issued by the National Electrification Commission (NEC) to operate an electric light and power distribution service in the City of Koronadal, Municipalities in the Province of South Cotabato, namely: Banga, Norala, Surallah, Sto. Nino, T'Boli, Lake Sebu, Tampakan and Tantangan as well as the Municipality of Lutayan in the Province of Sultan Kudarat.
3. Section 20(b), 20(f) and 20(g) of Commonwealth Act 146, as amended, and the Distribution Services and Open Access Rules require any public service "to establish, construct, maintain, and operate any reasonable extension of its existing facilities, where in the judgment of the Honorable Commission, such extension is reasonable and practicable and will furnish sufficient business to justify the construction and maintenance of the same, and when the financial condition of the said public service reasonably warrants the original expenditure required in making and operating such extension."
4. On 08 March 2006, the Honorable Commission promulgated Resolution No. 13, Series of 2006, entitled "*A Resolution Adopting the Guidelines to Govern the Submission, Evaluation and Approval of Electric Distribution Capital Projects*". The said Rules prescribe a uniform system of filing the DUs' applications for approval of their respective proposed capital projects.
5. On 15 December 2008, the Honorable Commission issued Resolution No. 18, Series of 2008, entitled "*A Resolution Adopting the Rules for Approval of Regulated Entities' Capital Expenditure Projects*."
6. On 09 December 2009, the Honorable Commission issued Resolution No. 26, Series of 2009, entitled "*A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects*."
7. The Commission's Resolution No. 26, Series of 2009 provides that an "*approval to secure loans sourced from NEA may be filed together with the CAPEX application*."
8. Pursuant to the above cited and other pertinent rules and regulations, this Application is filed for the approval of Applicant's CAPEX Projects for the years 2019 to 2022 and authority to secure loan from NEA and/or other financial institutions with prayer for provisional authority.
9. The CAPEX Projects are divided into network and non-network projects, these are:

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PROPOSED NETWORK RELATED PROJECTS					
Project Code	Project Type	Project Category	Project Title	Project Cost (Php)	Year of Implementation
N-01	Safety	Subtransmission Development / Primary Distribution Project	Relocation of Subtransmission and Distribution Lines	58,848,029	2020-2022
N-02	Safety	Primary Distribution Project	Refurbishment of Distribution Line	9,763,978	2020-2022
N-03	Safety	Primary Distribution Project	Installation of Smart Lightning Protection	2,000,000	2022
N-04	Safety	Primary Distribution Project	Replacement of Damaged 69kV Circuit Breaker and Relay	3,418,000	2019
N-05	Capacity	Substation Project	Upgrading of 10MVA Dajay substation to 20MVA	27,778,400	2022
N-06	Capacity	Secondary Distribution Project	Rehabilitation and Expansion of Distribution Line	47,796,566	2020-2022
N-07	Capacity	Other Network Requirements	Distribution Transformer Expansion and Replacement	86,895,786	2020-2022
N-08	Capacity	Other Network Requirements	Installation of Standard Connection and Metering Facilities for New Connections	111,750,102	2020-2022
N-09	Reliability Improvement	Primary Distribution Project	Insulating 10km of 3-phase Backbone Line of Feeder 25	2,500,000	2020
N-10	Reliability Improvement	Primary Distribution Project	Interconnection of Feeder 91 and Feeder 41	3,173,601	2020
N-11	Reliability Improvement	Reliability Improvement Project	Installation of a 69kV Load Break Switch	1,108,343	2020
N-12	Reliability Improvement	Reliability Improvement Project	Buffer Stock	13,503,035	2020-2021
N-13	System Loss Reduction	Other Network Requirements	Replacement of Defective Metering Facilities	22,498,438	2020-2022
N-14	System Loss Reduction	Other Network Requirements	Relocation of Metering Installations of Residential Consumers	75,773,247	2020-2022
N-15	System Loss Reduction	Other Network Requirements	Upgrading of Metering Facilities on Residential Consumers to Advanced Metering Infrastructure (AMI)	10,000,000	2021
Total				476,807,525	
PROPOSED NON-NETWORK RELATED PROJECTS					
Project Code	Project Type	Project Category	Project Title	Project Cost (Php)	Year of Implementation
NN-01	Service Efficiency	Non-Network Requirements	Structures and Improvements	119,379,660	2020-2022
NN-02	Service Efficiency	Non-Network Requirements	Transportation Equipment	37,350,000	2020-2022
NN-03	Service Efficiency	Non-Network Requirements	Information Education Campaign (IEC) Facilities	7,950,000	2020-2021
NN-04	Service Efficiency	Non-Network Requirements	Personnel Protective Equipment and Tools	5,812,000	2020, 2022
NN-05	Service Efficiency	Non-Network Requirements	Information and Communications Technology Equipment	34,310,000	2020-2021
NN-06	Service Efficiency	Non-Network Requirements	Engineering Software for Distribution System Analysis	2,500,000	2020
NN-07	Service Efficiency	Non-Network Requirements	Enhancement of the Accounting and Financial Reporting System	2,787,384	2020-2021
NN-08	Service Efficiency	Non-Network Requirements	Test Equipment	11,798,650	2020-2021
NN-09	Service Efficiency	Non-Network Requirements	Land and Land Rights	9,250,000	2019-2020

NN-10	Service Efficiency	Non-Network Requirements	Installation of Phase III- Supervisory Control and Data Acquisition (SCADA) Facilities	47,790,000	2020
Total				278,927,694	
GRAND TOTAL				755,735,219	

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The CAPEX Projects were identified and propositioned after conducting various performance assessments to SOCOTECO I’s distribution system.
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The CAPEX Projects are discussed in detail in SOCOTECO I’s *Capital Expenditure Plan for Years 2019-2022* (CAPEX Plan) together with the technical and financial analysis, justifications and other supporting data presented pursuant to the Honorable Commission’s specified templates that are hereto attached as **Annex “A”** with submarkings.
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FINANCING PLAN. The CAPEX Projects will be financed through SOCOTECO I’s Reinvestment Fund for Sustainable Capital Expenditures (RFSC) Rate approved by the Honorable Commission under the RSEC-WR, and through loans from other financing institutions. The table below illustrates SOCOTECO I’s actual financing plan for years 2019-2022 and corresponding costs to be financed:

FINANCING PLAN

Source of Funds	Project Cost (PhP)				
	2019	2020	2021	2022	Total
Other Financing Institution	-	268,528,131	152,762,656	209,693,903	635,860,228
RFSC Collection	7,168,000	60,432,438	34,683,985	17,590,568	119,874,991
DPWH Funding	-	4,875,538	-	-	-
Total	7,168,000	333,836,107	187,446,641	227,284,471	755,735,219

13.

Cash Flow. SOCOTECO I’s cash flow is adequate to pursue and implement the CAPEX Plan without necessarily causing a significant increase in its electricity rates. Further, the entire CAPEX structure likewise considered previous indebtedness incurred in financing past capital projects.
14.

Rate Impact. The CAPEX Projects will have the least rate impact of PhP 0.0051/kWh without compromising the implementation of the much-needed projects that will strengthen SOCOTECO I’s distribution system and improve its reliability. The initial rate impact computation of the Project is, as follows:

INDICATIVE RATE IMPACT OF THE CAPEX PROJECT

	2019	2020	2021	2022	TOTAL
Forecasted energy sales, kWh	265,547,599	280,252,739	294,675,171	308,803,504	1,149,279,012
Cash balance beginning, PhP, excess/(shortfall)	53,058,825	2,586,399	75,901,978	40,133,760	53,058,825
CASH INFLOWS					

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	2019	2020	2021	2022	TOTAL
Current year collection @PhPo.5340/kWh	141,802,418	149,654,962	157,356,541	164,901,071	613,714,993
Loan proceeds from financial institutions, PhP	-	-	-	-	-
CAPEX requirement (2020-2022)	-	273,403,669	152,762,656	209,693,903	635,860,228
CAPEX requirement (2013-2016) - w/ Partial Release	-	87,348,039	-	-	87,348,039
CAPEX requirement (2016-2019) - w/ Pending Release	154,000,000	98,400,000	-	-	252,400,000
Government Subsidy (if any), PhP	-	-	-	-	-
DPWH Funding		4,875,538			4,875,538
50% of Income on Leased Properties	-	-	-	-	-
Total Cash Inflows, PhP	295,802,418	608,806,670	310,119,197	374,594,974	1,589,323,259
Available cash for disbursement	348,861,243	611,393,070	386,161,435	415,430,031	1,761,845,778
CASH OUTFLOWS					
CAPEX requirement (2016-2019), PhP	283,627,966	90,921,312	-	-	374,549,278
CAPEX requirement (2019-2022), PhP	7,168,000	333,836,107	187,446,641	227,284,471	755,735,219
2009-2019 Debt Amortization, PhP	43,995,533	94,955,611	97,187,520	93,028,788	329,167,452
2020-2022 Debt Amortization, PhP	-	13,054,530	59,273,528	99,289,533	171,617,591
Guarantee Fee *	38,644	25,742	12,840	2,105	79,331
ERC Permit Fee (for 2009-2019 Projects), PhP	11,444,700	-	-	-	11,444,700
ERC Permit Fee, PhP	-	2,557,531	1,405,850	1,704,634	5,668,014
Total Cash Outflows, PhP	346,274,843	535,350,832	345,326,378	421,309,532	1,648,261,586
Cash balance ending, PhP, excess/(shortfall)	2,586,399	76,042,238	40,835,057	(5,879,501)	(5,879,501)
Excess/(shortfall) on RFSC, PhP/kWh	0.0097	0.2713	0.1386	(0.0190)	(0.0051)

15. The indicative increase of PhP 0.0051/kWh will allow SOCOTECO I to fully implement promptly its CAPEX Projects while maintaining the viability of its operations.
16. SOCOTECO I also considered availing short- and long-term loans for its CAPEX Plan to have the least impact to its members-consumers-owners (MCO). For Years 2019, 2020, 2021 and 2022, there is a minimal indicative additional rate requirement to cover the cost of the CAPEX Projects, new loan annual amortization and permit fees. Illustrated hereunder are the summaries of the loans to be drawn from financing institutions:

SHORT TERM LOAN (5 YEARS) AT 8% INTEREST

				Project Cost to Finance on Nth Year			
Technical Project Code	Project Title	Cost to Finance	Term in Yrs	2019	2020	2021	2022
N-08	Installation of Standard Connection and Metering Facilities for New Connections	111,750,102	5	-	31,412,224	31,302,501	49,035,377

				Project Cost to Finance on Nth Year			
Technical Project Code	Project Title	Cost to Finance	Term in Yrs	2019	2020	2021	2022
N-13	Replacement of Defective Metering Facilities	22,498,438	5	-	7,607,741	7,435,622	7,455,075
N-14	Relocation of Metering Installations of Residential Consumers	75,773,247	5	-	23,801,120	25,229,188	26,742,939
NN-02	Transportation Equipment	37,350,000	5	-	29,350,000	4,000,000	4,000,000
NN-10	Installation of Phase III- Supervisory Control and Data Acquisition (SCADA) Facilities	47,790,000	5	-	47,790,000	-	-
	Total	295,161,787		-	139,961,085	67,967,311	87,233,391

LONG TERM LOAN (10 YEARS) AT 8% INTEREST

				Project Cost to Finance on Nth Year			
Technical Project Code	Project Title	Cost to Finance	Term in Yrs	2019	2020	2021	2022
N-05	Upgrading of 10MVA Dajay substation to 20MVA	27,778,400	10	-	-	-	27,778,400
N-07	Distribution Transformer Expansion and Replacement	86,895,786	10	-	27,757,202	29,105,207	30,033,377
NN-01	Structures and Improvements	119,379,660	10	-	74,500,000	29,879,660	15,000,000
	Total	234,053,846		-	102,257,202	58,984,867	72,811,777

LONG TERM LOAN (15 YEARS) AT 8% INTEREST

				Project Cost to Finance on Nth Year			
Technical Project Code	Project Title	Cost to Finance	Term in Yrs	2019	2020	2021	2022
N-01	Relocation of Subtransmission and Distribution Lines	53,972,491	15	-	4,645,535	12,744,127	36,582,829
N-06	Rehabilitation and Expansion of Distribution Line	47,796,566	15	-	21,664,309	13,066,351	13,065,906
	Total	101,769,057		-	26,309,844	25,810,478	49,648,735

17. The CAPEX Projects and the decision to secure loans to finance said Projects were duly approved by the Board of Directors of SOCOTECO I. Copies of the Secretary's Certificate together with its corresponding Board Resolutions Nos. 181, 78, 185, 79, and 38 are respectively attached herein as **Annexes "B", "C", "D", "E" and "F"** with submarkings.

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

SOCOTECO I hereby re-pleads the foregoing allegations and further states that:

18. There is an urgent necessity to commence the implementation of the CAPEX Projects to address SOCOTECO I's issues on reliability, safety deficiencies and power quality disruptions. Further, the immediate implementation of the proposed CAPEX Projects will eschew any other additional concerns that unforeseen situations or occurrences may cause to SOCOTECO I's distribution system.
19. In view thereof, SOCOTECO I respectfully prays that CAPEX Projects be implemented within their planned implementation years or whenever the implementation of any or all of them are necessary or urgent under prevailing circumstances while the evaluation or confirmation of the instant Application is still pending to enable SOCOTECO I to deliver a safe, reliable and efficient electric service to its MCO.

COMPLIANCE WITH PRE-FILING REQUIREMENTS

20. In compliance with the pre-filing requirements for the instant Application, it is submitting the following documents which are being made integral parts thereof, to wit:

Annexes	Description of Document
"G"	Affidavit of Posting
"H"	Notice of the CAPEX Projects
"I"	Affidavit of undertaking that the Application shall be filed to any other concerned government agencies whenever required
"J"	Judicial Affidavit in Support of the Prayer for Provisional Authority
"K", series	Proof of receipt of copies of the Application from the Sangguniang Panlungsod of Koronadal City and Sangguniang Panlalawigan of South Cotabato.
"L"	Newspaper where the Application was published
"M"	Affidavit of Publication

PRAYER

WHEREFORE, premises considered, it is respectfully prayed to this Honorable Commission, that:

- (1) Upon filing of the Application and pending hearing thereon, an Order be issued granting SOCOTECO I **PROVISIONAL AUTHORITY** to **IMPLEMENT** its CAPEX Projects for years 2019-2022 and **SECURE LOAN/S** to finance said Projects; and

- (2) After hearing on the merits, a **DECISION** be rendered **APPROVING** SOCOTECO I's CAPEX Projects for years 2019-2022 and **GRANTING and/or CONFIRMING** its authority to secure loan/s to finance the CAPEX Projects.

Other reliefs, just 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 the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹, dated 24 September 2020.

Date	Online Platform	Activity
19 March 2021 (Friday) at nine o'clock in the morning (09:00 A.M.)	Microsoft Teams	Determination of compliance with jurisdictional requirements and Expository Presentation
26 March 2021 (Friday) at nine o'clock in the morning (09:00 A.M.)	Microsoft Teams	Pre-Trial Conference and Presentation of Evidence

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, all persons 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

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

days prior to the date of the initial virtual 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, mailing address, and e-mail 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.

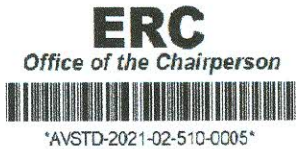
Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail docket@erc.ph, copy furnish the Legal Service through legal@erc.ph their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the 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, mailing address, and e-mail 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 SOCOTECO I that they be furnished with the same prior to the date of the initial hearing. SOCOTECO I is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, 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. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the SOCOTECO I by sending an e-mail to docket@erc.ph, copy furnish the Legal Service through legal@erc.ph. Nonetheless, any person may also access the *Application* as posted by the Commission in its 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 29th day of January 2021 in Pasig City.




AGNES VST DEVANADERA
Chairperson and CEO


LS: JMS/CLB/MCCG