

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF CAPITAL
EXPENDITURE PLAN FOR
YEARS 2015 to 2023, WITH
APPLICATION FOR
AUTHORITY TO SECURE
LOANS AND MOTION FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2023-081 RC

**SOUTH COTABATO II
ELECTRIC COOPERATIVE,
INC. (SOCOTECO II),**
Applicant.

Promulgated:
September 26, 2023

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 22 June 2023, the South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) filed an *Application*, dated 26 April 2023, seeking the Commission’s approval of its capital expenditure plan for the years 2015 to 2023, with application for authority to secure loans and motion for provisional authority.

The pertinent allegations in the said *Application* are hereunder quoted, as follows:

THE APPLICANT

1. SOCOTECO II is a non-stock, non-profit electric cooperative, duly organized and existing by virtue of the laws of the Republic of the Philippines, with principal office address at J. Catolico Sr. Avenue, Brgy. Lagao, General Santos City;
2. It holds an exclusive franchise issued by the National Electrification Commission to operate an electric light and power distribution service in General Santos City and the municipalities of Tupi and Polomolok in the province of South Cotabato, and the municipalities of Alabel, Malapatan, Glan, Malungon, Maasim, Kiamba, and Maitum in the province of Sarangani.

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 the consumers in its franchise area, SOCOTECO II seeks confirmation, approval, and authority from this Honorable Commission to implement its Capital Expenditure (CAPEX) Plan for Years 2015 to 2023.

4. On the other hand, the accompanying application for authority to secure loans is being filed pursuant to Section 20 (g) of Commonwealth Act No. 146 otherwise known as the Public Service Act, as Amended, which requires every public service to secure the approval and authorization of the Commission for issuance of any bonds or other evidence of indebtedness payable in more than one year.

THE CAPITAL EXPENDITURE PROJECTS

5. The capital expenditure (CAPEX) projects under SOCOTECO II's CAPEX Plan for Years 2015 to 2023 are summarized hereunder, as follows:

No	Asset	Title	Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
1	Network	Procurement of 15kV Circuit Breakers	Safety									19,496,479	19,496,479.00
2	Network	Relocation of 69kV Sub-Transmission Line Located Inside Panhus Integrated Steel Property	Safety									21,770,017	21,770,017.00
3	Network	Replacement of Defective Metering Facilities for Large Load Customers	Safety								6,677,044	6,677,044	13,354,088.00
4	Network	Upgrading of Sari-Alebel Substation from 10MVA to 20MVA	Capacity				16,517,857.14						16,517,857.14
5	Network	Construction of New 35 MVA Damalerio Substation	Capacity				26,379,464.29						26,379,464.29
6	Network	Construction of 69kV Sub-transmission Line and New 10 MVA Substation in Barangay Malandag, Malungon, Sarangani Province	Capacity						61,935,830.93				61,935,830.93
7	Network	Replacement of Damaged 20/25 MVA Power Transformer and 69kV Circuit Breaker at Flatport Substation	Capacity						20,419,642.86				20,419,642.86
8	Network	Construction of 10MVA Malapatan Substation and 69kV Tie Line	Capacity							75,766,736			75,766,736.00
9	Network	Upgrading to Double Circuit and Rerouting of the 69kV NGCP-Ligaya Subtransmission Line	Capacity									254,734,422	254,734,422.00
10	Network	Construction of New 10MVA Substation in Brgy. Small Margus, Glen, Sarangani and 40km of 69kV Subtransmission Line	Capacity								376,745,007		376,745,007.00
11	Network	Construction of New 20 MVA Glamang Substation	Capacity									181,174,652	181,174,652.00

ERC CASE NO. 2023-081 RC

NOTICE OF VIRTUAL HEARING/26 SEPTEMBER 2023

PAGE 3 of 9

No	Asset	Title	Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
12	Network	Uprating of Pentagon Substation from 35MVA to 55MVA	Capacity									51,068,100	51,068,100.00
13	Network	Construction of primary and secondary voltage lines for new connections	Capacity	7,141,473.32	14,247,343.63	10,753,235.52	19,703,975.17	34,853,041.34	19,558,181.73	23,664,420	34,511,527	32,210,759	196,733,956.71
14	Network	Provision of Standard Connection Facility for New Customers	Capacity	15,526,814.73	16,781,308.65	16,891,858.08	17,237,797.26	17,934,289.94	15,960,519.58	21,139,732	39,979,980	38,473,640	200,936,941.036
15	Network	Purchase and Installation of Distribution Transformer and Accessories	Capacity	14,370,753.73	18,020,801.50	18,470,812.25	19,918,921.27	19,502,481.59	20,143,910.98	22,855,659			133,282,540.33
16	Network	Construction of 20km Three-Phase Primary Line in BATODO Corridor (Brgy. Bakunday-Tokawal-Domolok) Alabell, Sarangani Province	Capacity								25,673,347		25,673,347.00
17	Network	Construction of 69kV Subtransmission Line at Malbang, Maasin, Sarangani	Capacity									14,949,313.30	14,949,313.30
18	Network	Installation of 89kV Differential Meters	Capacity									26,172,000.00	26,172,000.00
19	Network	Installation of Substation and Feeder Meters and its accessories	Capacity									11,880,000	11,880,000.00
20	Network	Uprating of Tupi Substation Feeder Line Conductor From #2/0 ACSR to 336MCM ACSR	Power Quality									21,588,274	21,588,274.00
21	Network	Installation of Automatic Voltage Regulator (AVR)	Power Quality									11,768,766	11,768,766.00
22	Network	Installation of Three-phase Reclosers and Fault Circuit Indicators	Reliability									7,750,000.00	7,750,000.00
23	Network	Procurement of Spare Equipment for Switchyard and Substations	Reliability									10,485,800	10,485,000.00

No	Asset	Title	Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL
24	Non-Network	Construction of Building, Facilities, Finishing and Furnishing of the Administrative Building at the New SOGOTECO II Headquarters Compound in Brgy. Apopong, General Santos City (Phase II and III)	Service Efficiency							19,139,465.03	137,127,669.39		156,267,134.42
25	Non-Network	Site Development and Construction of Structures and Facilities at the New SOGOTECO II Headquarter Compound in Apopong, General Santos City	Service Efficiency									136,792,823.54	136,792,823.54
26	Non-Network	Procurement of Lots, Construction of Sub-area Warehouse and Satellite Offices, and Rehabilitation of Substation Control Rooms	Service Efficiency								155,767,177.24	81,300,000.00	237,067,177.24
27	Non-Network	Procurement of Vehicles	Service Efficiency								68,957,000.00	63,350,000.00	152,307,000.00
28	Non-Network	Procurement of Tools and Special Equipment	Service Efficiency									59,467,549.25	59,467,549.25
29	Non-Network	Enhancement of the Communication System	Service Efficiency									11,718,250.00	11,718,250.00
30	Non-Network	Installation of Supervisory Control and Data Acquisition (SCADA) Facilities	Service Efficiency							1,783,450.74		161,133,334.00	162,916,784.74
31	Non-Network	Acquisition of IT Systems	Service Efficiency									17,031,232.42	17,031,232.42
32	Non-Network	Procurement of Queuing and Paging System	Service Efficiency									2,500,000.00	2,500,000.00
TOTAL				37,039,041.78	49,049,453.78	46,115,106.66	99,848,015.13	72,289,812.87	138,037,895.07	164,340,462.77	865,438,751.63	1,244,491,655.51	2,716,650,195.20

ERC CASE NO. 2023-081 RC
NOTICE OF VIRTUAL HEARING/26 SEPTEMBER 2023
PAGE 4 of 9

CAPITAL EXPENDITURE PLAN

5. The proposed projects are discussed in detail in SOCOTECO II's Capital Expenditure Plan for Years 2015 to 2023 with technical and financial analysis and supporting data presented in ERC-prescribed templates.

FINANCIAL AND ECONOMIC EVALUATION

6. Financing Plan. The proposed projects will be financed partly through the cooperative's own Reinvestment Fund for Sustainable Capital Expenditure (RFSC) and partly through loans from the National Electrification Administration (NEA), banks, and financial institutions.

7. Cash Flow. As will be shown in the table in the next paragraph, SOCOTECO II's cash flow shows that it can viably pursue and implement the CAPEX projects with a minimal indicative additional rate requirement to cover the costs of the proposed projects, new loans annual amortizations, and Permit Fees.

8. Indicative Rate Impact. The implementation of the proposed CAPEX projects to be funded by loans would result to a 21.64% RFSC rate increase equivalent to an additional PhPo.0329/kWh to generate sufficient revenue to bridge the PhP279,177,438.99 shortfall to finance the CAPEX projects, as shown in the Table below.

EXCERPTS FROM CASH FLOW ANALYSIS SHOWING RATE
IMPACT IN TERMS OF RATE PER KWH

	1 st RP			2 nd RP			3 rd RP			Total
	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Actual/Forecasted energy sales, kWh	747,438,630	815,491,340	838,214,770	904,199,600	960,625,630	959,155,100	987,589,975	1,096,019,000	1,189,725,000	8,498,459,045
RFSC Rate, PhP/kWh	0.1518	0.1518	0.1518	0.1518	0.1518	0.1518	0.1518	0.1518	0.1518	0.1518
Cash balance beginning, PhP, excess/(shortfall)	-	37,964,902.22	46,617,794.22	75,887,296.86	51,388,848.73	74,699,822.86	35,638,008.79	16,705,647.02	114,968,426.68	-
FUND INFLOWS										
Actual/Forecasted RFSC Collection @ 97% CE	106,981,825.00	93,340,934.00	110,827,821.00	109,372,499.00	127,222,163.00	135,216,923.00	135,943,286.00	161,384,413.67	175,182,247.35	1,155,472,112.02
50% of income on leased properties	5,284,058.00	2,495,986.00	2,288,258.00	3,239,007.00	5,640,563.00	3,133,584.00	7,446,169.00	7,595,092.00	7,746,994.00	44,869,711.00
Interest earned from deposits	-	-	-	-	-	-	-	-	-	-
Loan proceeds from financial institutions for the subject application	-	-	-	-	-	-	-	916,713,980.63	1,172,807,256.51	2,089,521,237.15
Loan proceeds from financial institutions for previously approved applications (ERC Case No. 2012-128 RC)	-	-	-	-	-	117,604,093.00	-	-	-	117,604,093.00
Borrowed funds from General Fund	-	-	-	-	55,000,000.00	0.00	50,000,000.00	-	-	105,000,000.00
Total Fund Inflows, PhP	112,265,883.00	95,836,920.00	113,116,079.00	112,611,506.00	187,862,726.00	255,955,410.00	193,389,455.00	1,085,693,486.70	1,355,736,496.10	3,512,467,963.80
Available Fund for disbursement	112,265,883.00	133,801,822.22	159,733,873.22	188,498,802.86	239,251,574.73	330,655,232.86	229,027,463.79	1,102,399,133.72	1,381,663,951.10	3,512,467,963.80
FUND OUTFLOWS										
CAPEX payment for the subject case	37,039,041.78	49,049,453.78	46,115,106.66	99,848,015.13	72,289,812.87	138,037,895.07	164,340,462.77	865,438,751.63	1,244,491,655.51	2,716,650,195.21
CAPEX payment for previously APPROVED application (ERC Case No. 2012-128 RC)	-	-	-	-	55,000,000.00	62,604,093.00	-	-	-	117,604,093.00
Annual loan amortization payment for the subject case	-	-	-	-	-	-	-	145,857,912.05	303,350,557.16	449,208,469.21
Annual loan amortization for previously APPROVED application	37,261,939.00	37,261,939.00	37,261,939.00	37,261,939.00	37,261,939.00	39,375,236.00	47,981,354.00	54,133,828.00	53,665,480.00	381,465,603.00
Projected ERC permit fees for the subject case	-	-	-	-	-	-	-	11,041,189.05	9,347,063.30	20,388,252.34
Payment of ERC permit fees for previously approved CAPEX application (ERC Case No. 2012-128 RC)	-	872,635.22	469,530.70	-	-	-	-	-	-	1,342,165.92
Replenishment of the General Fund	-	-	-	-	-	55,000,000.00	-	-	50,000,000.00	105,000,000.00
Total Cash Outflows, PhP	74,300,980.78	87,184,028.00	83,846,576.36	137,109,954.13	164,551,751.87	295,017,224.07	212,321,816.77	1,076,471,680.72	1,660,841,390.08	3,791,645,402.80
Fund Ending Balance, excess/(shortfall)	37,964,902.22	46,617,794.22	75,887,296.86	51,388,848.73	74,699,822.86	35,638,008.79	16,705,647.02	25,927,452.99	(279,177,438.99)	(279,177,438.99)
Excess/(shortfall) on RFSC, PhP/kWh	-	-	-	-	-	-	-	-	-	-0.0329
% Rate Increase (Decrease)	-	-	-	-	-	-	-	-	-	21.64%

Notes: 1: DBP Loan to finance the Installation of the two 34/43.75 MVA Transformer Bank at Lagao S/S and the Construction of Phase I of the New Administrative Building. 2: Construction of Phase I of the New Administrative Building amounting to Php55,000,000.00, 3: Installation of the two 35/43.75 MVA Transformer Bank at Lagao Substation amounting, 4: Construction of 10MVA Malapatan S/S, 5: Includes the loan for the Construction of 10MVA Malapatan S/S. Php50 Million would be used to replenish borrowed General Fund

**APPLICATION FOR AUTHORITY TO SECURE
LOANS**

9. As shown above, some of the proposed projects shall be financed through loans from the NEA, banks and financing institutions, considering that SOCOTECO II's RFSC is not readily available and therefore cannot finance the implementation of the said projects as planned. In view thereof, the cooperative hereby applies for authority from the Honorable Commission to secure the said loans.

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR
PROVISIONAL AUTHORITY**

10. Applicant repleads foregoing allegations as may be material herein.

11. As shown in the Table of proposed projects in paragraph 5 above, some of the projects may require implementation while the instant Application is pending evaluation of the Honorable Commission.

12. Further, unforeseen situations or occurrences may arise which might necessitate the immediate implementation of any of the proposed projects.

13. In view thereof, SOCOTECO II respectfully seeks permission from the Honorable Commission, while the instant application is pending, regarding the implementation of those projects and in securing loans to finance the same, as may be deemed necessary and urgent under prevailing circumstances, to enable the cooperative to deliver a safe, efficient and more reliable electric service to its consumers.

**SUBMISSION OF DOCUMENTARY AND PRE-
FILING REQUIREMENTS**

14. Finally, in compliance with the documentary as well as pre-filing requirements for the instant application, SOCOTECO II is submitting herewith the following documents which are being made as integral parts hereof, to wit:

Annex Markings	Description of Documents
Annex A	Capital Expenditure Plan for Years 2015 to 2023
Annexes B	Affidavit of Posting of Notice on the Proposed Projects
B-1	Notice on the Proposed Projects
Annex C	Affidavit of Undertaking that the corresponding application for approval of concerned agencies shall be filed, when required

Annex D	Supporting documents for the Application for Authority to Secure Loans
Annex E	Judicial Affidavit in Support of the Motion for Provisional Authority
Annex F series	Proof of furnishing of copies of the Application to the Offices of the Mayor and Sangguniang Panlungsod of General Santos City
Annex G series	Proof of publication of the Application in a newspaper of general circulation in SOCOTECO II's franchise area or where it principally operates

PRAYER

WHEREFORE, premises considered, applicant South Cotabato II Electric Cooperative, Inc. (SOCOTECO II) respectfully prays of this Honorable Commission that:

1. Upon initial review of the instant application and pending evaluation hereof, the cooperative be permitted to implement any of the proposed projects as well as secure loans to finance the same, as may be deemed necessary and urgent under the circumstances; and
2. After due notice and hearing, the Capital Expenditure Plan for Years 2015 to 2023 be confirmed and approved, and the loans being secured from NEA, banks and financing institutions to finance the projects be likewise authorized and approved.

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

The Commission sets anew 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 platforms for the conduct thereof, pursuant to Resolution 09, Series of 2020¹ and Resolution No. 01, Series of 2021 (ERC Revised Rules of Practice and Procedure):²

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

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

ERC CASE NO. 2023-081 RC
NOTICE OF VIRTUAL HEARING/26 SEPTEMBER 2023
PAGE 7 of 9

Date	Platform	Activity
19 October 2023 (Thursday) at nine o'clock in the morning (9:00 AM)	Microsoft Teams or Zoom Application	Determination of compliance with the jurisdictional requirements and expository presentation
26 October 2023 (Thursday) at nine o'clock in the morning (9:00 AM)		Pre-Trial Conference and presentation of evidence

Applicant SOCOTECO II is directed to host the virtual hearings at **SOCOTECO II's Principal Office at J. Catolico Sr. Avenue, Brgy. Lagao, General Santos City**, 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. SOCOTECO II shall also 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 initial virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph and 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 has 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, and copy furnishing 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. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state 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 file through e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment **at least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. 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 interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

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

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Finally, all interested persons may be allowed to join the scheduled virtual hearings by providing the Commission, through legal.virtualhearings@erc.ph, 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 hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 26th day of September 2023 in Pasig City.


MONALISA C. DIMALANTA
Chairperson and CEO


LS: JRBC/ARG/MCCG

ERC
Office of the Chairperson and CEO



MCD2023-009261