

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
PROPOSED CAPITAL
EXPENDITURE PROJECTS
FOR THE YEAR 2023 AND
FOR THE
CONFIRMATION/APPROVAL
OF THE IMPLEMENTED
CAPITAL EXPENDITURE
PROJECTS FOR THE YEARS
2017 – 2022**

ERC CASE NO. 2023-106 RC

**SULTAN KUDARAT ELECTRIC
COOPERATIVE, INC.
(SUKELCO),**

Applicant.

Promulgated:
October 18, 2023

X-----X

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 25 September 2023, the Sultan Kudarat Electric Cooperative, Inc. (SUKELCO) filed an *Application*, dated 25 July 2023, seeking the Commission's approval of its proposed capital expenditure projects for the year 2023 and for the confirmation/approval of the implemented capital expenditure projects for the years 2017 to 2022.

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

THE APPLICANT

1. Applicant SUKELCO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at National Highway, Brgy.

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Kalandagan, Tacurong City, Sultan Kudarat, Philippines, represented herein by its General Manager, **Claudia A. Pondales**, duly authorized by virtue of Resolution No. 110, Series of 2023 dated 15 July 2023 of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof.

The filing of the instant Application is likewise authorized under the aforesaid Board Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising the City of Tacurong and the Municipalities of Isulan, Esperanza, Bagumbayan, Pres. Quirino, Lambayong (formerly, Mariano Marcos), Columbio, Palimbang, Senator Ninoy Aquino, Lebak and Kalamansig, all in the Province of Sultan Kudarat and the Municipalities of Buluan, Datu Paglas, General Salipada K. Pendatun and Paglat, all in the Province of Maguindanao.

THE APPLICATION AND ITS PURPOSE

3. This Application is filed in compliance with ERC Resolution No. 26, Series of 2009 (A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects)" adopted pursuant to the mandate of Section 43 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, which categorically provides that all capital expenditure projects (CAPEX) shall be submitted to and for the approval of the Commission prior to its implementation, in relation to ERC Resolution No. 20, Series of 2011 which sets the timelines for the filing of the instant application;
4. The aforesaid amended rules was issued by the Honorable Commission to ensure that the projects are timely, appropriate, necessary and cost efficient; to ensure that the proposed capital projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippines Distribution Code (PDC), and other relevant government issuances; and to ensure that the procurement of equipment, materials and services are transparent, competitive and compliant with the applicable laws and regulations.
5. In accordance with the Amended CAPEX Rules, consistent with the Distribution Development Plan and the Philippine Distribution Code, Applicant shall acquire, construct and implement the following capital expenditure projects for the year 2023 and shall seek the confirmation and approval of the implemented projects for the years 2017-2022, with a total approximate cost of **Six Hundred Ninety Seven Million Nine Hundred Eighty Five Thousand Thirty and 69/100 (PhP697,985,030.69) Pesos.**

THE CAPITAL EXPENDITURE PROJECTS

Summary of the Proposed Projects with Corresponding Costs for the Year 2023

	Proposed Projects	Project Cost (PhP)
No.	Title	2023
SAFETY PROJECTS:		
1	Refurbishment of Acquired 69kV Line	2,045,009.47
2	Pole Relocation of 69kV Line Connecting Dukay S/S	6,309,267.09
3	Massive Replacement of Dilapidated Wood Poles	6,032,561.19
CAPACITY PROJECTS:		
4	New 20 MVA Dansuli S/S at Isulan	76,627,468.55
5	New 10 MVA Kalamansig S/S & 10 MVA Lebak S/S with Totalizer Metering	96,181,035.36
6	Primary Line Conversion for Large Load Connection	4,633,567.30
RURAL ELECTRIFICATION PROJECTS:		
7	Primary Line Extension for New Connections	1,117,230.72
8	Secondary Line Extension for New Connections	3,394,808.09
9	Distribution Transformer for New Connections	8,253,741.32
10	Customer Service Drop and Metering for New Connections	7,868,108.07
SYSTEM LOSS REDUCTION PROJECTS:		
11	Massive Replacement of Defective Meters	4,930,732.50
12	Meter Clustering at Buluan and Datu Paglas	5,700,000.00
CUSTOMER SERVICE EFFICIENCY PROJECTS:		
13	Improvements for Headquarters Office	9,000,000.00
14	Lot and Building for Area Offices	1,500,000.00
15	Information and Communication Technology Projects	17,737,500.00
16	Technical Facilities and Testing Equipment	22,638,073.00
Total Project Cost (PhP)		273,969,102.66

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Summary of the Implemented Projects with Corresponding Actual Costs for the Years 2017 - 2022

No.	Proposed Projects Title	Project Cost (PhP)						TOTAL
		2017	2018	2019	2020	2021	2022	
SAFETY PROJECTS:								
1	Refurbishment of Acquired 69kV Line		1,882,080.50				708,194.27	2,590,274.77
2	Massive Replacement of Dilapidated Wood Poles	6,756,610.57	1,472,722.97	7,628,359.43	6,884,172.61	4,401,830.94	4,545,857.22	31,689,533.74
CAPACITY PROJECTS:								
3	New 10 MVA Lambayong S/S	5,858,286.16	50,282,365.54	13,005,326.65	2,826,134.28	4,209,614.88		76,181,727.51
4	Upgrading of Dukay S/S from 5 MVA to 10 MVA		2,970,000.00	14,008,500.00	2,821,500.00			19,800,000.00
5	Primary Line Conversion for Large Load Connection			2,280,883.00			880,752.17	3,161,635.17
RURAL ELECTRIFICATION PROJECTS:								
6	Primary Line Extension for New Connections	1,431,711.17	1,576,410.62	1,467,308.87	655,458.97	941,689.39	460,227.25	6,532,806.27
7	Secondary Line Extension for New Connections	3,414,199.29	3,767,831.17	4,816,716.35	3,494,407.18	2,714,556.30	1,344,511.43	19,532,221.72
8	Distribution Transformer for New Connections	7,404,343.93	4,192,546.76	7,666,234.50	8,939,652.74	8,158,897.97	5,808,584.07	42,170,259.97
9	Customer Service Drop and Metering for New Connections	6,185,478.96	7,615,023.69	9,123,606.51	10,862,712.39	5,146,531.59	5,538,519.93	44,471,873.07
SYSTEM LOSS REDUCTION PROJECTS:								
10	Massive Replacement of Defective Meters	9,897,092.32	3,873,211.19	1,916,471.03	4,854,497.69	3,990,821.63	1,514,890.23	26,046,984.09
11	Meter Clustering at Buluan and DatuPaglas				1,657,128.33	7,099,700.13	4,724,229.07	13,481,057.53
CUSTOMER SERVICE EFFICIENCY PROJECTS:								
12	Improvements for Headquarters Office	19,934,789.47					4,999,888.00	24,934,677.47
13	Lot and Building for Area Offices					16,913,083.80	1,751,695.44	18,664,779.24
14	Operation and Maintenance Vehicles			5,666,109.40		52,840,626.00		58,506,735.40
15	Information and Communication Technology Projects	3,468,215.94	6,220,443.74	8,782,726.96	5,762,951.00	3,499,887.98	3,312,514.28	31,046,739.90
16	Technical Facilities and Testing Equipment			597,808.43	3,412,594.89	662,198.86	512,000.00	5,184,602.18
Total Project Cost (PhP)		64,350,727.81	83,852,636.18	76,960,051.12	52,171,210.08	110,579,439.47	36,101,863.36	424,015,928.03

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Justification of the Proposed Projects

No.	Project Title	Justification
1	Refurbishment of Acquired 69kV Line	Ensure replacement of dilapidated wood poles for the safe operation of acquired sub-transmission line
2	Pole Relocation of 69kV Line Connecting Dukay S/S	Ensure safe operation and access to sub-transmission line that connects the Dukay substation
3	Massive Replacement of Dilapidated Wood Poles	Ensure replacement of dilapidated wood poles for the safe operation of distribution system
4	New 20 MVA Dansuli S/S at Isulan	Provide additional capacity for increasing demand in Isulan
5	New 10 MVA Kalamansig S/S & 10 MVA Lebak S/S with Totalizer Metering	Ensure connection to the Mindanao Grid of existing off-grid municipalities of Kalamansig and Lebak
6	Primary Line Conversion for Large Load Connection	Provide adequate distribution line to accommodate connection of Large Load customers
7	Line Extension for New Connections	Ensure adequate distribution lines for new connections
8	Distribution Transformers for New Connection	Ensure adequate distribution transformers for new connections
9	Customer Service Drop and Metering for New Connection	Ensure adequate metering facilities for new connections
10	Massive Replacement of Defective Meters	Ensure replacement of defective meters and reduce system loss
11	Meter Clustering at Buluan and Datu Paglas	Ensure protection of meters and avoid pilferages in high system loss areas of Buluan and Datu Paglas
12	Improvements for Headquarters Office	Provide the needed establishments and facilities in the headquarter office to provide conducive workplace and better service
13	Lot and Building for Area Offices	Provide safe and conducive workplace for employees and improve delivery service and response to customer needs
14	Information and Communication Technology Projects	Improve ICT facilities and provide better service
15	Technical Facilities and Testing Equipment	Improve technical facilities and services

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Justification of the Implemented Projects

No.	Project Title	Justification
1	Refurbishment of Acquired 69kV Line	Ensure replacement of dilapidated wood poles for the safe operation of acquired sub-transmission line
2	Massive Replacement of Dilapidated Wood Poles	Ensure replacement of dilapidated wood poles for the safe operation of distribution system
3	New 10 MVA Lambayong S/S	Provide adequate capacity for increasing demand in Lambayong
4	Uprating of Dukay S/S from 5 MVA to 10 MVA	Augment the overloaded capacity of Dukay substation
5	Primary Line Conversion for Large Load Connection	Provide adequate distribution line to accommodate connection of Large Load customers
6	Line Extension for New Connections	Ensure adequate distribution lines for new connections
7	Distribution Transformers for New Connection	Ensure adequate distribution transformers for new connections
8	Customer Service Drop and Metering for New Connection	Ensure adequate metering facilities for new connections
9	Massive Replacement of Defective Meters	Ensure replacement of defective meters and reduce system loss
10	Meter Clustering at Buluan and Datu Paglas	Ensure protection of meters and avoid pilferages in high system loss areas of Buluan and Datu Paglas
11	Improvements for Headquarters Office	Provide the needed establishments and facilities in the headquarter office to provide conducive workplace and better service
12	Lot and Building for Area Offices	Provide safe and conducive workplace for employees and improve delivery service and response to customer needs
13	Operation and Maintenance Vehicles	Improve mobility of personnel and response to customer complaints
14	Information and Communication Technology Projects	Improve ICT facilities and provide better service
15	Technical Facilities and Testing Equipment	Improve technical facilities and services

6. With the prevailing situation in the electric power industry vis-à-vis the consumers' demand, Applicant deems it appropriate to embark on asset development and expansion in order to meet the member-consumers' growing demands;
7. The procurement and implementation of the aforementioned project is of great necessity in the schedules herein provided, otherwise service decline is eminent, to the prejudice of the consumers;
8. That the afore-enumerated capital projects will be implemented on staggered basis, and, if a Force Majeure or Fortuitous event, as the case may be occurs causing delay in the implementation, the Applicant shall inform the ERC of such condition and seek the latter's confirmation of the delayed implementation of the particular CAPEX;

RELATED AND INDISPENSABLE DOCUMENTS

9. Consistent with the requirement of the filing of applications for approval of capital projects, Applicant attached and made an integral part of this Application the detailed justifications, related and indispensable documents chronologically arranged, as follows:

<u>ANNEX</u>	<u>DOCUMENT</u>
"B"	CAPEX Executive Summary
"B-1"	Per Project supporting documents
"C"	CAPEX Forecasts
"D"	Performance Assessment
"E"	Rate Impact Analysis
"F"	Audited Financial Statements for the years 2017-2022
"G"	Basis of Cost Estimates
"H"	2017-2022 RFSC Utilization Report
"I"	Distribution Development Plan (DDP)
"J"	Other Financial Documents

BOARD APPROVAL
OF THE PROPOSED PROJECTS

10. Finding the proposed capital expenditure projects reasonable, appropriate, necessary, and ultimately redound to the benefit of the members-consumers by way of efficient, continuous and reliable service, the Board of Directors of the Applicant passed Board Resolution No. 109, Series of 2023 approving the proposed CAPEX, copy of which is attached hereto as **Annex "K"**;

11. In compliance with Resolution No. 26, Series of 2009, information on the proposed capital projects had been widely disseminated through posting in the conspicuous places of the City of Tacurong and the Municipalities of Isulan, Esperanza, Bagumbayan, Pres. Quirino, Lambayong (formerly, Mariano Marcos), Columbio, Palimbang, Senator Ninoy Aquino, Lebak and Kalamansig, all in the Province of Sultan Kudarat and the Municipalities of Buluan, Datu Paglas, General Salipada K. Pendatun and Paglat, all in the Province of Maguindanao, as certified to by Rochelle C. Fabian, an employee of the Applicant tasked to undertake such dissemination, copy of the affidavit of posting is attached hereto as **Annex "L"**. The Notices posted in the areas aforementioned specifically contained the following:
- a. the proposed projects;
 - b. the reasons for proposing said projects;
 - c. the source of fund for the said projects;
 - d. indicative rate impact of the said projects;

SOURCES OF FUNDS FOR THE PROJECTS

12. SUKELCO's Capital Expenditure Projects Plan is envisioned to have the least rate impact and that brings the most value to its consumers.
13. In the implementation of the proposed projects, the Applicant shall source the funds through a loan with the National Electrification Administration (NEA) and/or other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers.

Financing Plan

FINANCING SOURCE	2023
Loans from NEA, Bank/Other Financial Institutions	293,146,939.85*

* Including a capitalized interest of PhP19,177,837.19.

14. The implementation of the proposed CAPEX shall bring forth an indicative rate impact as follows:

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Indicative Rate Impact

	2017	2018	2019	2020	2021	2022	2023	TOTAL
Energy Sales, KWh	168,208,525	189,672,983	208,241,046	210,736,336	226,284,731	233,256,204	244,767,112	1,481,166,937
Existing RFSC Rate, Peso/KWh	0.3783	0.3783	0.3783	0.3783	0.3783	0.3783	0.3783	
RFSC Balance Beg. Php	14,816,583	16,646,015	3,278,887	8,084,066	5,302,826	6,596,788	8,843,089	14,816,583
Cash Inflows (Php):								
RFSC Collection	59,043,373	73,094,505	69,308,431	64,274,373	81,658,984	64,858,969	83,335,858	495,574,493
Loan Proceeds for Approved Capex (NEA & DBP)	34,646,180	3,806,000	69,312,693					107,763,873
Loan Proceeds for Implemented Capex (Security Bank)		30,000,000	5,100,000	33,700,000	14,200,000			83,000,000
Loan Proceeds for Subject Application-Capex 2023							273,969,103	273,969,103
General Fund Transfers to RFSC to Finance Implemented Capex Without Approved Capex Plan	2,000,000	6,700,000	21,900,000			37,684,943		68,284,943
Interest Income	11,107	6,611	12,220	7,152	1,618	3,122	6,972	48,802
Income from Leased Assets								
Available Cash for Capex Projects	110,516,243	130,253,132	168,912,230	106,065,592	101,163,428	109,143,822	366,155,022	1,043,457,796
Cash Outflows (Php):								
Actual Disbursements for previously approved capex	28,482,053	17,398,418	3,500,850					49,381,321
Actual Disbursements for implemented capex without approved capex plan	38,329,882	72,808,662	114,788,609	59,932,054	37,391,059	34,033,942		387,284,208
Implemented Capex Disbursements from General Fund							32,518,639	32,518,639
Proposed Capex Requirement							273,969,103	273,969,103
Previously Approved Capex Disbursements from General Fund							20,333,573	20,333,573
Loan Amortizations or Previously Approved Capex (NEA, DBP & NTC 69KV)	27,058,292	36,767,164	42,538,705	35,733,670	51,797,300	49,996,831	49,356,537	293,248,499
Security Bank Loan amortizations Paid thru General Fund (2017-2022)							47,078,609	47,078,609
Loan Amortizations for Implemented Capex - Security Bank 83 Million)							18,969,016	18,969,016
Loan Amortizations for Implemented Capex:								-
BPI				4,345,776	-	-	-	4,345,776
RERC				751,266	5,378,281	16,269,960	16,269,960	38,669,467
Proposed Loan Amortization on Subject Application - Capex 2023							44,994,089	44,994,089
Proposed Loan Amortization on Subject Application - Replenishment of General Fund Used for Implemented Capex							16,654,062	16,654,062
Proposed ERC Permit Fees on Subject 2023 Capex Application							2,054,768	2,054,768
Proposed ERC Permit Fees on Implemented Capex Application-2017-2022							3,180,119	3,180,119
Total Cash Outflows, Php	93,870,227	126,974,244	160,828,164	100,762,766	94,566,640	100,300,733	525,378,475	1,202,681,249
RFSC Balance Ending, Php Excess (Shortfall)	16,646,015	3,278,887	8,084,066	5,302,826	6,596,788	8,843,089	(159,223,453)	(159,223,453)
Average Indicative Rate Impact								(0.1073)

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COMPLIANCE WITH PRE-FILING REQUIREMENTS

15. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Office of the Mayor and the Legislative Body of the City of Tacurong, where Applicant principally operates and the Offices of the Governor and the Legislative Bodies of the Province of Sultan Kudarat and the Province of Maguindanao. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant.
16. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes "M", "N", "O", "P", "Q" and "R"**, respectively. Likewise attached hereto as **Annexes "S" and "T"** are the Affidavit of Publication and the newspaper issue containing the published Application;
17. Moreover, prior to the filing of this Application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the Application.

PRAYER

WHEREFORE, foregoing considered, Applicant respectfully prays that the Honorable Commission after due hearing and evaluation of the Application, an Order be issued:

1. **Approving** the proposed capital expenditures projects for the year 2023;
2. **Confirming/approving** the implemented projects for the years 2017-2022; and
3. **Declaring** that the CAPEX Projects for 2023 and 2017-2022 are just, reasonable, and equitable pursuant to the provisions of ERC Resolution No. 26, Series of 2009, and other related laws, rules and regulations.

Other reliefs just and equitable are likewise prayed for.

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The Commission sets 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 No. 09, Series of 2020¹ and Resolution No. 01, Series of 2021² (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
17 November 2023 (Friday) at nine o'clock in the morning (9:00 A.M.)	Microsoft Teams or Zoom Application	Determination of compliance with jurisdictional requirements and expository presentation
24 November 2023 (Friday) at nine o'clock in the morning (9:00 A.M.)		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 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.

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.

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* on the Commission's official website at www.erc.gov.ph.

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 18th day of October 2023 in Pasig City.


MONALISA C. DIMALANTA
Chairperson and CEO


LS: NMK/ARG/MCCG

ERC
Office of the Chairperson and CEO



MCD2023-010085