

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Exquadra Tower, 1 Jade Drive
Ortigas Center, Pasig City

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE CAPITAL
EXPENDITURE PROJECTS FOR
THE YEARS 2023 - 2025**

2026-019 RC
ERC CASE NO. 2025 - ____ RC

February 05, 2026

**SURIGAO DEL NORTE
ELECTRIC COOPERATIVE, INC.
(SURNECO),**

Applicant.

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APPLICATION

APPLICANT, Surigao del Norte Electric Cooperative, Inc. (SURNECO for brevity), by counsel and unto this Honorable Commission, most respectfully states: That –

THE APPLICANT

1. Applicant SURNECO is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Surigao City, Surigao del Norte, Philippines, represented herein by its General Manager to the Office of the General Manager, **Engr. Virbuen U. Ladaga**, duly authorized by virtue of Resolution No. 108, Series of 2025 dated 02 July 2025, 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 aforecited 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

Surigao, and the Municipalities of Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Taganan and Tubod, all in the Province of Surigao del Norte.

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 aforecited 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 2023-2025 with a total approximate cost of **Three Hundred Seventy-Six Million Four Hundred Fifty-One Thousand One Hundred Fifty-Four and 32/100 Pesos (PhP376,451,154.32)**.

**THE CAPITAL EXPENDITURE PROJECTS
FOR THE YEARS 2023-2025**

NO.	PROJECT TITLE	2023	2024	2025	TOTAL PROJECT COST, PHP
1	Installation of 20 MVA Substation at Brgy. Ipil, Surigao City, Surigao del Norte with 15.92 km-69KV			225,832,877	225,832,877

	Subtransmission Line and Construction of Distribution Lines: 3.12 km Double-Circuit 13.2KV line underbuilt of 69KV from 20 MVA Ipil Substation to Sitio Bioborjan,Brgy. Sabang and its continuation at 4.72 km Double circuit line from Sitio Bioborjan, Sabang to Brgy. Washington.				
2	Supply, Installation, Testing and Commissioning of New 10/12.5 MVA Substation located at Brgy. Urbiztondo, Claver, Surigao del Norte, Construction of 69 kV Sub-Transmission Line ,single system circuit line, post insulator type, steel poles, 336 MCM ACSR, connected to 10 MVA Urbiztondo Claver Substation and 13.2KV Distribution System			78,971,886	78,971,886
3	Acquisition of Various Types of Kilowatt-hour meters and accessories		6,015,629	8,765,030	14,780,659
4	Acquisition of various types and sizes of conductors		3,347,750	4,659,372	8,007,122
5	Acquisition of various Distribution Transformer capacities and its accessories			10,251,316	10,251,316
6	Acquisition of materials and equipments as Buffer Stock for Contingency / Emergency / Calamities			8,220,443	8,220,443
7	Acquisition and installation of Substation Accessories and Monitoring Automation Equipment		390,000	13,320,791	13,710,791
8	Land & Buildings			10,789,500	10,789,500
9	Acquisition of Personal Protective Equipments			811,200	811,200
10	Acquisition of Tools and Equipment			775,360	775,360
11	Acquisition of Transportation Equipment			4,300,000	4,300,000
Grand Total			9,753,379	366,697,775	376,451,154

Justification of the CAPEX Projects

No.	Project Title	Justification
1	Installation of 20 MVA Substation at Brgy. Ipil, Surigao City, Surigao del Norte with 15.92 km-69KV Subtransmission Line and Construction of Distribution Lines: 3.12 km Double-Circuit 13.2KV line underbuilt of 69KV from 20 MVA Ipil Substation to Sitio Bioborjan, Brgy. Sabang and its continuation at 4.72 km Double circuit line from Sitio Bioborjan, Sabang to Brgy. Washington.	This project aims to address the significant increase of power demand in the City of Surigao and augment the capacity of the current 20MVA Looc Substation serving the City of Surigao and the Municipalities of Malimono and San Francisco, which is expected to reach 104.7% loading capacity in 2025.
2	Supply, Installation, Testing and Commissioning of New 10/12.5 MVA Substation located at Brgy. Urbiztondo, Claver, Surigao del Norte, Construction of 69 kV Sub-Transmission Line, single system circuit line, post insulator type, steel poles, 336 MCM ACSR, connected to 10 MVA Urbiztondo Claver Substation and 13.2KV Distribution System	This project aims to address the capacity issues experienced in the Municipalities of Gigaquit, Bacuag and Claver, where the center of the mining industry in the province of Surigao del Norte is located. The growing demand in this area requires the implementation of an additional 10/12.5MVA substation to augment the current 5/6.25MVA Ladgaron Substation, which is expected to reach 101.68% loading capacity in 2025.
3	Acquisition of Various Types of Kilowatt-hour meters and accessories	To address the connection requirements of new customers in accordance with the Magna Carta for Residential Consumers and Distribution Service and Open Access Rules.
4	Acquisition of various types and sizes of conductors	
5	Acquisition of various Distribution Transformer capacities and its accessories	
6	Acquisition of materials and equipments as Buffer Stock for Contingency / Emergency / Calamities	The purpose of maintaining buffer stocks is to ensure the availability of essential materials and equipment that are critical to the immediate restoration and rehabilitation of distribution lines damaged by natural calamities or fortuitous events. This is in line with SURNECO's commitment to uphold service reliability and to minimize

No.	Project Title	Justification
		power interruptions affecting its member-consumer-owners during emergencies
7	Acquisition and installation of Substation Accessories and Monitoring Automation Equipment: A. Acquisition of Substation Battery Charger B. SCADA Phase 1	The acquisition of new substation battery charges are intended to replace the damaged units while the installation of SCADA equipment aims to enhance SURNECO's system visibility, operational efficiency, and network reliability.
8	Land and Land Rights A. Purchase of Lot and Building for Sub-area Office 2 B. Purchase Sub-area Office 3 & Building C. Construction of Sub-area Office 4 Building (Phase 1)	This covers the acquisition of lots and building intended for Sub-Area Office 2, acquisition of lot for Sub-area 3 and construction of Sub-area 4 office building - phase 1, which aims to improve customer service efficiency and convenience in these respective areas.
9	Acquisition of Personal Protective Equipment (PPE)	To ensure the safety of SURNECO's personnel and the acquisition of necessary tools and equipment in compliance with the requirements of RA 11058: Occupational Safety and Health Standard
10	Acquisition of Tools and Equipment	
11	Acquisition of Transportation Equipment	The acquisition of additional vehicles are intended to meet the growing demand and number of customers of SUNRECO thereby improving mobility and response time of any consumer complaints, maintenance works and other related field service operations.

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 of the aforementioned projects is of great necessity in the schedules herein provided, otherwise service decline is imminent, 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:

ANNEX

DOCUMENT

“B”

CAPEX Executive Summary:

- Company Profile
- Distribution Planning Process
- Forecasting
- Distribution Utility Service Performance Assessment
- Summary of Identified Problems
- Goal Setting and Prioritization
- Summary of Proposed Capital Projects
- Financing Plan
- Rate Impact Analysis
- Project Discussion

“C”

Per Project Supporting Documents

“D”

Rate Impact Analysis in Excel File

“E”

Audited Financial Statements for the year 2024

“F”

Basis of Cost Estimates

“G”

2022-2024 RFSC Utilization Report

“H”

Distribution Development Plan (DDP)

“I”

NEA Certificate of Franchise

BOARD APPROVAL OF THE PROPOSED PROJECTS

10. Finding the 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 in the same Board Resolution No. 108, Series of 2025 approved the CAPEX Projects;
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 Surigao, and the Municipalities of Alegria, Bacuag, Claver, Gigaquit, Mainit, Malimono, Placer, San Francisco, Sison, Tagana-an and Tubod, all in the Province of Surigao del Norte, as certified to by Joy Karen T. Go, an employee of the Applicant tasked to undertake such dissemination, copy of the affidavit of posting is attached hereto as **Annex “J”**. The Notices posted in the areas aforementioned specifically contained the following:
 - a. the implemented and proposed projects;
 - b. the reasons for the 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. SURNECO’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

Proposed Projects		Project Cost (PhP)	Source of Fund
No.	Title	Total	
1	Installation of 20 MVA Substation at Brgy. Ipil, Surigao City, Surigao del Norte with 15.92 km-69KV Subtransmission Line and Construction of Distribution Lines: 3.12 km Double-Circuit 13.2KV line underbuilt of 69KV from 20 MVA Ipil Substation to Sitio Bioborjan, Brgy. Sabang and its continuation at 4.72 km Double circuit line from Sitio Bioborjan, Sabang to Brgy. Washington.	225,832,876.93	NEA

2	Supply, Installation, Testing and Commissioning of New 10/12.5 MVA Substation located at Brgy. Urbiztondo, Claver, Surigao del Norte, Construction of 69 kV Sub-Transmission Line ,single system circuit line, post insulator type, steel poles, 336 MCM ACSR, connected to 10 MVA Urbiztondo Claver Substation and 13.2KV Distribution System	78,971,886.27	NEA
Total Network CAPEX Projects		304,804,763.20	
1	Acquisition of Various Types of Kilowatt-hour meters and accessories	14,780,659.00	NEA
2	Acquisition of various types and sizes of conductors	8,007,122.00	NEA
3	Acquisition of various Distribution Transformer capacities and its accessories	10,251,316.00	NEA
4	Acquisition of materials and equipments as Buffer Stock for Contingency / Emergency / Calamities	8,220,442.87	NEA
Total Other Network CAPEX Projects		41,259,539.87	
1	Acquisition and installation of Substation Accessories and Monitoring Automation Equipment	13,710,791.25	NEA
2	Land and Land Rights	10,789,500.00	NEA
3	Acquisition of Personal Protective Equipment (PPE)	811,200.00	NEA
4	Acquisition of Tools and Equipment	775,360.00	NEA
5	Acquisition of Transportation Equipment	4,300,000.00	NEA
Total Non-network CAPEX Projects		30,386,851.25	
Total CAPEX Project Cost (PhP)		376,451,154.32	

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

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Indicative Rate Impact without Loan

	2023	2024	2025	TOTAL
Forecasted/Actual Energy Sales, kWh per DDP	180,938,604	214,179,179	229,253,713	624,371,497
Multiply by sensitivity	100%	100%	100%	
Forecasted/Actual Energy Sales, kwh with sensitivity	180,938,604	214,179,179	229,253,713	624,371,497
RFSC Rate, Php/kWh	0.2508	0.2508	0.2508	
Beginning Balance, Php, excess/shortfall	11,882,436.10	41,923,175.00	81,968,491.00	11,882,436
FUND INFLOWS				
Actual/Forecasted RFSC Collection, Php	35,710,564.09	39,339,479.93	57,496,831.34	132,546,875.36
Interest Earned from deposits, Php (if applicable)	10,915.03	25,095.93	36,679.09	72,690.05
Loan from DBP or NEA for year 2023-2025 Multi-year capex			-	-
Calamity Loan from NEA -Super Typhoon Odette, ERC Case#2022-073RC			100,000,000	100,000,000
Govt. Subsidy/ CalamityGrant - Typhoon Odette, ERC Case#2022-073RC	57,059,268	25,147,144	11,878,023	94,084,435
Calamity Loan from DBP -Super Typhoon Odette, ERC Case#2022-073RC			50,000,000	50,000,000
Borrowed Funds from General Fund, (Php)	16,595,292	27,294,079		43,889,371
Total Fund Inflows, Php	109,376,039	91,805,798	219,411,533	420,593,371
TOTAL Cash Available For Disbursement	121,258,475	133,728,973	301,380,024	432,475,807

FUND OUTFLOWS				
CAPEX direct financing, the subject case (Multi Year 2023-2025)		9,753,379	366,697,775	376,451,154
CAPEX financing, for previous FME CAPEX - Typhoon Odette, ERC, Case#2022-073 RC	62,059,268	25,147,144	161,878,023	249,084,435
CASH FOR DEBT SERVICE/Annual Amortization:				
Existing Old Loans from NEA-OECF - A	33,072	33,072		66,144
Existing Loans - NEA (Approved CAPEX, ERC case#2009-008 MC)-	5,701,447	5,285,375	2,653,072	13,639,894
Existing Loans - NEA (FME CAPEX , ERC Case#2018-095RC)	1,002,989	1,002,989	1,002,989	3,008,966
Proposed Loan Amortization for multi-year CAPEX 2023-2025, this application	-		-	-
Existing Calamity Loan from NEA -Typhoon Odette (87.6M),ERC Case#2022-073RC	10,538,524	10,538,524	10,538,524	31,615,573
Existing Calamity Loan from NEA -Typhoon Odette (100M),ERC Case#2022-073RC			9,568,620	9,568,620
Proposed Calamity Loan from DBP -Typhoon Odette (50M), ERC Case#2022-073RC			755,425	755,425
ERC Permit Fee, Php , ERC Case#2022-073 RC & this application			5,728,409	5,728,409
Replenishment of the General fund, Php(if any)			15,894,850	15,894,850
Total Fund Outflows, Php	79,335,300	51,760,482	574,717,686	705,813,469
Fund Ending balance, Php, excess/(shortfall)	41,923,175	81,968,491	(273,337,662)	(273,337,662)
Excess/(shortfall) on RFSC, Php/kWh	0.25160	0.38271	(1.1923)	

Indicative Rate Impact with Loan
 @ Interest rate of 6%

	2023	2024	2025	TOTAL
Forecasted/Actual Energy Sales, kWh per DDP	180,938,604	214,179,179	229,253,713	624,371,497
Multiply by sensitivity	100%	100%	100%	
Forecasted/Actual Energy Sales, kwh with sensitivity	180,938,604	214,179,179	229,253,713	624,371,497
RFSC Rate, Php/kWh	0.2508	0.2508	0.2508	
Beginning Balance, Php, excess/shortfall	11,882,436.10	41,923,175.00	81,968,491.08	11,882,436
FUND INFLOWS				
Actual/Forecasted RFSC Collection, Php	35,710,564	39,339,480	57,496,831	132,546,875
Interest Earned from deposits, Php (if applicable)	10,915	25,096	36,679	72,690
Loan from DBP or NEA for year 2023-2025 Multi-year capex			366,697,775	366,697,775
Calamity Loan from NEA – Typhoon Odette, ERC Case#2022-073RC			100,000,000	100,000,000
Govt. Subsidy/CalamityGrant - Typhoon Odette, ERC Case#2022-073RC	57,059,268	25,147,144	11,878,023	94,084,435
Calamity Loan from DBP -Typhoon Odette, ERC Case#2022-073RC			50,000,000	50,000,000
Borrowed Funds from General Fund, (Php)	16,595,292	27,294,079		43,889,371
Total Fund Inflows, Php	109,376,039	91,805,799	586,109,309	787,291,147
TOTAL Cash Available For Disbursement	121,258,475	133,728,974	668,077,800	799,173,583

FUND OUTFLOWS					
CAPEX financing, the subject case (Multi Year 2023-2025)			9,753,379	366,697,775	376,451,154
CAPEX financing, for previous FME CAPEX – Typhoon Odette, ERC, Case#2022-073 RC	62,059,268	25,147,144	161,878,023	249,084,435	
CASH FOR DEBT SERVICE/Annual Amortization:					
Existing Old Loans from NEA-OECF – A	33,072	33,072			66,144
Existing Loans – NEA (Approved CAPEX, ERC case#2009-008 MC)-	5,701,447	5,285,375	2,653,072		13,639,894
Existing Loans – NEA (FME CAPEX , ERC Case#2018-095RC)	1,002,989	1,002,989	1,002,989		3,008,966
Proposed Loan Amortization for multi-year CAPEX 2023-2025, this application			85,434,327		85,434,327
Existing Calamity Loan from NEA -Typhoon Odette (87.6M),ERC Case#2022-073RC	10,538,524	10,538,524	10,538,524		31,615,573
Existing Calamity Loan from NEA -Typhoon Odette (100M),ERC Case#2022-073RC			9,568,620		9,568,620
Proposed Calamity Loan from DBP -Typhoon Odette (50M), ERC Case#2022-073RC			755,425		755,425
ERC Permit Fee, Php , ERC Case#2022-073 RC & this application			5,728,409		5,728,409
Replenishment of the General fund, Php(if any)			15,894,850		15,894,850
Total Fund Outflows, Php	79,335,300	51,760,482	660,152,013		791,247,796
Fund Ending balance, Php, excess/(shortfall)	41,923,175	81,968,491	7,925,787		7,925,787
Excess/(shortfall) on RFSC, Php/kWh	0.25160	0.38271	0.0346		

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 Surigao, where Applicant principally operates and the Office of the Governor and the Legislative Body of the Province of Surigao del Norte. 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 "K", "L", "M" and "N"**, respectively. Likewise attached hereto as **Annexes "O" and "P"** 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. **Confirming and Approving** the capital expenditures projects for the year 2023 to 2025; and
2. Declaring that the CAPEX Projects for 2023 to 2025 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.

Cebu City (for Pasig City), Philippines. 12 January 2026.

A.C. GAVIOLA LAW OFFICE

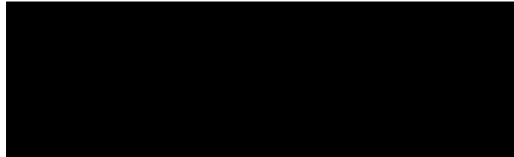
Counsel for SURNECO

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absgaviola@gaviolalaw.com

BY:

ALAN C. GAVIOLA

PTR No. 927015; Province of Cebu; Feb. 17, 2022
IBP OR (To follow); Cebu City; Feb. 17, 2022
Roll No. 30385
MCLE Compliance III, 0019612; Dec. 14, 2010



ALAN BYRNE S. GAVIOLA

PTR No. 1579277; Cebu City; Dec. 09, 2025 (For 2026)
IBP No. 563859; Cebu City; Dec. 09, 2025 (For 2026)
Roll No. 62695
MCLE Compliance VIII – 0040042; Apr. 14, 2028

REPUBLIC OF THE PHILIPPINES)
Province of Surigao del Norte.)
City of Surigao) S.S.

VERIFICATION and
CERTIFICATION AGAINST FORUM SHOPPING

I, **Engr. VIRBUEN U. LADAGA**, Filipino, of legal age, with office address at SURNECO, Surigao City, Surigao del Norte, Philippines, after being sworn in accordance with law, hereby depose and say, that:

I am the General Manager duly authorized by the Board of Directors to file the foregoing Application;

I caused the preparation of the foregoing Application. I have read and understood the foregoing Application, the allegations of which are true and correct based on my own personal knowledge and/or on authentic records;

The Application is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

The factual allegations in the Application have evidentiary support, or if specifically so identified, will likewise have evidentiary support;

That SURNECO has not commenced any action or proceedings involving the same issues before the Supreme Court, Court of Appeals, or any other tribunal or agency; that to the best of our knowledge, no such action or proceeding is pending in the Supreme Court, Court of Appeals, or any other tribunal agency; that should hereafter we learn that a similar action or proceedings has been filed or is pending before the Supreme Court, Court of Appeals, or any other Tribunal or agency, we shall undertake to report to the Honorable Commission of said fact within five (5) days from knowledge therefrom; and

IN WITNESS WHEREOF, I have hereunto affixed my signature this 12 day of January at Surigao City, Surigao del Norte, Philippines.

[Redacted Signature]

Engr. VIRBUEN U. LADAGA
Affiant

SUBSCRIBED AND SWORN to before me this 12 day of January 2026 at Surigao City, Surigao del Norte, Philippines. Affiant, for purposes of identification, exhibited to me his Driver's License ID no. K01-98-036888 valid until June 10, 2034.

Doc. No. 206 ;
Page No. 02 ;
Book No. 2 ;
Series of 2026.

ATTY. NOEL GEORGE T. PAQUEO, REE
NOTARY PUBLIC
SURIGAO CITY AND SURIGAO DEL NORTE
COMMISSION UNTIL DECEMBER 31, 2027
PUROK MALINAO, ESPINA EXT. SURIGAO CITY
ATTORNEY ROLL NO. 89505
PTR NO. 1338225-SURIGAO CITY / JANUARY 6, 2026
IBP NO. 558662 / NOVEMBER 13, 2025
MCLE COMPLIANCE NO. VIII-0012115
0976-345-9751