

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



**IN THE MATTER OF THE  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOAN WITH PRAYER FOR  
ISSUANCE FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2017-008 MC**

**CEBU I ELECTRIC  
COOPERATIVE, INC.  
(CEBECO I),**

**Applicant.**

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**DOCKETED**  
Date: **APR 30 2018**  
By: \_\_\_\_\_

**ORDER**

On 2 June 2017, an *Application* dated 29 May 2017 was filed by applicant Cebu I Electric Cooperative, Inc. (CEBECO I) seeking the Commission's approval for an authority to secure loan with prayer for the issuance for provisional authority.

CEBECO I alleged the following in its Application:

1. Applicant CEBECO I is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Bitoon, Dumanjug, Cebu, Philippines, represented herein by its Officer-in-Charge to the Office of the General Manager, Getulio Z. Crodua, duly authorized by virtue of Board Resolution No. 63 - A, series of 2017 dated May 13, 2017, 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 Carcar and the Municipalities of Barili, Dumanjug, Ronda, Alcantara, Moalboal, Badian, Alegria, Malabuyoc, Ginatilan, Samboan, Santander, Sibonga, Argao, Dalaguete, Alcoy, Boljo-on and Oslob all in the province of Cebu;

3. That Applicant filed its CAPEX for the years 2016 to 2018 on 21 May 2015 and is now submitted for resolution by the Honorable Commission. Considering that the source of funds necessary for the implementation of the aforesaid CAPEX when approved will be sourced from a private Bank, applicant needs an authority to secure loan pursuant to the Commission's guidelines;
4. That in securing a loan intended to finance its CAPEX Projects, CEBECO I requested for proposals from various private financial institutions. Based on CEBECO I's evaluation, it was determined that the proposal from Metropolitan Bank & Trust Company is more advantageous to the member-consumers. A copy of the comparison of bank offers is attached hereto as **Annex "B"**;
5. That in compliance with the aforesaid guidelines, Applicant hereby submits its application for the grant of authority to secure loan, and in support thereof attached the following documents as required under the guidelines:
  - 5.a. Copy of Audited Financial Statements including notes for test year 2016, 2015, 2014 and 2013 as **Annexes "C", "C-1", "C-2" and "C-3"**;
  - 5.b. Letter of Approval from Metropolitan Bank & Trust Company as **Annex "D"**;
  - 5.c. Letter of Approval of the National Electrification Administration for the authority to secure loans from other sources as **Annex "E"**;
  - 5.d. List of projects and/or items of equipment and their estimated cost as **Annex "F"**;
  - 5.e. Bases of the reasonableness of the estimated cost as **Annex "G"**;
  - 5.f. Copy of the Loan Agreement as **Annex "H"**;
  - 5.g. Amortization schedule provided by Metropolitan Bank & Trust Company as **Annex "I"**;
  - 5.h. Filed CAPEX application ERC Case No. 2015-101 RC as **Annex "J"**;
  - 5.i. Detailed schedule of utilization (of Annual RFSC Utilization for the test year and the prior 2 years) as **Annex "K"**;
  - 5.j. Computation of Financial ratios as **Annex "L"**.
  - 5.k. Cost-Benefit Analysis and Justification in securing loans as **Annex "M"**;
  - 5.l. Certification from the National Electrification Administration that CEBECO I has no outstanding obligation as of March 31, 2017 as **Annex "N"**;

6. Applicant's proposed Capital Projects to be financed are as follows, to wit:

**NETWORK CAPEX PROJECTS:**

<b>Capacity Capital Projects</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Installation of 10 MVA Moalboal Substation and 69kV Line	146,515		
Installation of 5 MVA Argao Substation and 69kV Line			35,420

7. That the above project/s will be implemented on staggered basis and are necessary for the operation and maintenance of the distribution system of CEBECO I in order to further enhance dependable and quality electric service to its consumers-members;
8. The financing sought by the Applicant will bring forth the following impact on its rate, to wit:

(Rest of the page intentionally left blank.)



(Internal/RFSC)																								
CAPEX Plan	29,383,555	29,383,555	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206
Amortization	1,795,338	854,533	978,733																					
CAPEX Approval																								
Fee																								
Sub-Total																								
CAPEX Plan	85,821,047	106,443,415	85,935,346	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206
Cost																								
Previous Loan	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901
Amortization	142,187,948	162,810,316	142,302,246	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107
Total CAPEX																								
Plan Cost	(71,497,392)	(88,861,318)	(64,843,575)	(12,350,007)	(8,299,820)	(3,959,231)																		
Net Cash Flow																								
Indicative	0.4132	0.4909	0.3420	0.0621	0.0398	0.0180																		
Rate Impact																								

*Note:*

- 1.) The additional RFSC PhPo.1181/kWh pertains to the indicative rate impact of previously APPROVED CAPEX Projects (2011 to 2015) which will be implemented in the years 2016 to 2018 computed at 5% interest rate for 10 years. The decision was received last March 2015 and the Cooperative is still negotiating with commercial banks that can offer the lowest interest rate
- 2.) The indicative additional RFSC of PhPo.0679/kWh is the rate impact of the PROPOSED CAPEX Projects for years 2016 to 2018 computed based on the term of the loan at 5% interest rate
- 9. The Applicant's debt equity ratio is 0.41 while its quick ratio is 1.15 determined as of the date of preparation of this application;

**APPLICATION**  
**FOR PROVISIONAL AUTHORITY**

10. That, Applicant reiterates and incorporate the foregoing allegations in support of its application for issuance of provisional authority and further allege:
  - 10.1 That the present facilities and equipment of the Applicant are found to be inadequate to meet the current increase in power demand, thus, overloading is imminent which will result to power interruptions and decline in power reliability. The need for immediate improvement by providing additional or new facilities is the only solution to prevent an imminent decline in Applicant's power service; and such urgent need/remedy is imperative and should necessarily be implemented;
  - 10.2 Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate, justifiable and reasonable that a provisional authority to immediately secure the needed financing be granted;
  - 10.3 The provisional authority that may be issued by the Honorable Commission will provide Applicant the opportunity to draw the corresponding amounts from Metropolitan Bank & Trust Company, thus, its 2016-2018 Capital Expenditure Projects can be implemented in accordance with the schedule of actual utilization. **THUS**, the reliability and quality of its service will not be unduly compromised.

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

11. 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 Legislative Body of the Municipality of Dumanjug where Applicant principally operates and the Legislative Body of the Province of Cebu.
12. 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 Jennifer C. Bayang and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes "O", "O-1" and "O-2"** respectively.

13. 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**, premises considered, it is respectfully prayed of this Honorable Commission that after due hearing:

1. The herein Application for authority to secure loan be APPROVED.
2. A Provisional Authority allowing Applicant to draw amounts from Metropolitan Bank & Trust Company be issued pending hearing and consideration of the Application in order to allow Applicant to implement the CAPEX Projects.
3. To allow Applicant to include in its billing and pass on to the consumers the amounts of its Capital Expenditure Projects incurred in its implementation as may be approved and set by the Commission.

Other relief just and equitable under the premises are likewise prayed for.

Finding the said Application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **13 June 2018 at ten o'clock in the morning (10:00 A.M.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, CEBECO I is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing once (1x) in a newspaper of nationwide circulation in the Philippines at its own expense, the date of the publication to be made not later than ten (10) days before the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the franchise area for the appropriate posting thereof on their respective bulletin boards;

- 3) Inform of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the Application and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, and the complete issue of the said newspaper;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant to inform of the filing of the Application, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the Application and its attachments by all those making requests therefor, if any; and



- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-trial Conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicant to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

CEBECO I must also be prepared to make an expository presentation of the instant Application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

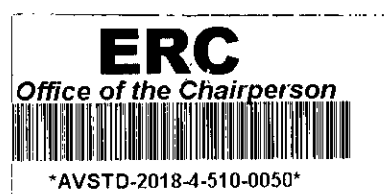
**SO ORDERED.**

Pasig City, 22 March 2018.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: SLAN/KPB/APV



9/2

**ERC CASE NO. 2017-008 MC**  
**ORDER/22 MARCH 2018**  
**PAGE 10 OF 12**

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COPY FURNISHED:

1. Cebu I Electric Cooperative, Inc. (CEBECO I)  
*Applicant*  
Bitoon, Dumanjug, Cebu
2. Atty. Alan Byrne S. Gaviola  
*Counsel for Applicant CEBECO I*  
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Rm. 203, 2/F Crown Port View Hotel,  
3<sup>rd</sup>. Ave., North Reclamation Area, Cebu City
3. Office of the Mayor  
City of Carcar
4. Office of the LGU legislative body  
City of Carcar
5. Office of the Mayor  
Barili, Cebu
6. Office of the LGU legislative body  
Barili, Cebu
7. Office of the Mayor  
Dumajug, Cebu
8. Office of the LGU legislative body  
Dumanjug, Cebu
9. Office of the Mayor  
Ronda, Cebu
10. Office of the LGU legislative body  
Ronda, Cebu
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Alcantara, Cebu
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Alcantara, Cebu
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Alegria, Cebu
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Malabuyoc, Cebu
20. Office of the LGU legislative body  
Malabuyoc, Cebu
21. Office of the Mayor  
Ginatilan, Cebu

17  
VP 4/2

**ERC CASE NO. 2017-008 MC**  
**ORDER/22 MARCH 2018**  
**PAGE 11 OF 12**

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22. Office of the LGU legislative body  
Ginatilan, Cebu
23. Office of the Mayor  
Samboan, Cebu
24. Office of the LGU legislative body  
Samboan, Cebu
25. Office of the Mayor  
Santander, Cebu
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31. Office of the Mayor  
Dalaguete, Cebu
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Alcoy, Cebu
34. Office of the LGU legislative body  
Alcoy, Cebu
35. Office of the Mayor  
Boljo-on, Cebu
36. Office of the LGU legislative body  
Boljo-on, Cebu
37. Office of the Mayor  
Oslob, Cebu
38. Office of the LGU legislative body  
Oslob, Cebu
39. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City
40. Commission on Audit (COA)  
Commonwealth Avenue, Quezon City
41. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City
42. House Committee on Energy  
Batasan Hills, Quezon City
43. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, Chamber and Industry Plaza (CIP),  
1030 Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City

44. Regulatory Operations Service (ROS)  
[Tariffs and Rates Division (TRD)]  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Avenue, Pasig City