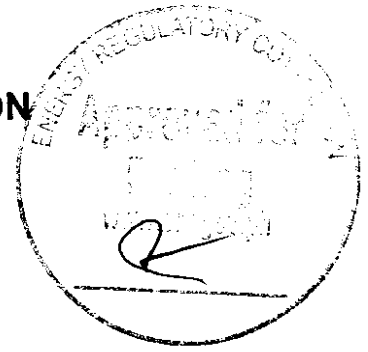


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
MAJOR CAPITAL PROJECTS FOR
CALENDAR YEAR 2007, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2007-127 RC

AKLAN ELECTRIC COOPERATIVE,
INC. (AKELCO),

Applicant.

x-----x

DOCKETED

Date: APR 20 2007

By: 

DECISION

Before this Commission for resolution is the application filed on June 19, 2007 by Aklan Electric Cooperative, Inc. (AKELCO) for the approval of its Major Capital Projects for calendar year 2007, with prayer for provisional authority.

Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated July 17, 2007, were issued setting the case for initial hearing on August 24, 2007.

In the same Order, AKELCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the



date of the last publication to be made not later than ten (10) days before the scheduled date of initial hearing. It was also directed to inform the consumers, within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearing thereon.

The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

Likewise, the Offices of the Mayors of the Municipalities within AKELCO's franchise area were furnished with copies of the Order and Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On August 21 to 23, 2007, the Commission conducted an ocular inspection on AKELCO's assets subject of the instant application.

On August 22, 2007 and August 24, 2007, AKELCO filed its "*Pre-Trial Brief*", and "*Compliance*", respectively.

During the August 24, 2007 initial hearing held at Casa Pilar, Boracay, Aklan, the following entered their appearances: a) AKELCO; 2) Mr. Rodson Mayor and Atty. Lee Manares as representatives of the Provincial Government of Aklan; 3) Boracay Foundation, Inc. (BFI); and 4) Boracay Chamber of Commerce (BCC).



Mr. Mayor and Atty. Manares were provisionally considered as interveners subject to the submission of a resolution from the Sangguniang Panlalawigan of Aklan authorizing them to intervene in this case. On the other hand, BFI and BCC were directed to file their respective Petitions to Intervene.

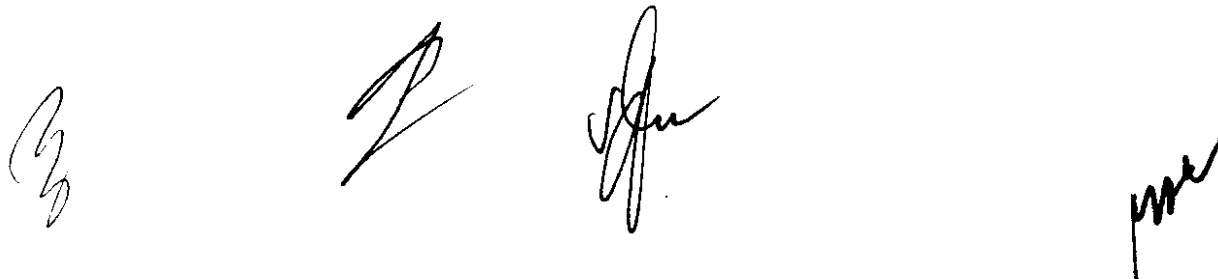
At the said hearing, AKELCO presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "Pref A" to "Post X", inclusive. Thereafter, it conducted an expository presentation of its application. AKELCO was directed to submit various documents.

On October 23, 2007, AKELCO filed its "*Compliance*".

During the October 25, 2007 pre-trial hearing of this case, only AKELCO appeared. The Provincial Government of Aklan, BFI and BCC failed to appear despite due notice.

At the said hearing, the interveners were declared to have waived their rights to participate in the proceedings of this case in view of their absence and failure to comply with the directive of the Commission.

At the October 26, 2007 continuation of hearing, the Commission took note of the absence of any intervenor/oppositor. AKELCO then presented its first witness, Engr. Rogen Delos Reyes, its OIC-Engineering Department Manager, who testified in support of the application particularly the necessity of



implementing the proposed major capital projects. In the course of his direct examination, additional documents were presented and duly marked as exhibits.

The direct examination having been terminated, the Commission propounded clarificatory questions on the said witness.

On November 23, 2007, December 21, 2007, January 15, 2008, and August 11, 2008, AKELCO filed its "*Motion for Extension*", "*Second Motion for Extension*", "*Manifestation*", and "*Motion for Postponement*", respectively.

On August 22, 2008, the Commission issued a "*Subpoena Ad Testificandum and Duces Tecum*" directing Mr. Philip Dasalla, Division Manager-Project Planning and Development and Mr. Ernesto M. Daluz, Department Manager-Divestment of Subtransmission Assets, both from the National Transmission Corporation's (TRANSCO), to bring pertinent documents and to appear and testify at the hearing of this case.

At the September 12, 2008 hearing, AKELCO and TRANSCO appeared. TRANSCO presented the following witnesses: 1) Mr. Philip Dasalla, its Division Manager-Project Planning and Development, who testified on the techno-economic evaluation of the AKELCO's Boracay Interconnection Projects; 2) Ms. Priscilla V. Ramoy, its Principal Engineer A at the Cost Estimates and Contract Specifications Divisions (CECSD), Engineering Design Group and Construction Department, who testified on the cost estimates of the said project; and 3) Atty. Nelson Evangelista, its Manager for Contracts, Documentation and Records Management Division, who testified on the nature of the contract.



In the course of their direct examinations, TRANSCO presented several documents which were duly marked as exhibits. The Commission propounded clarificatory questions on the said witnesses.

At the October 20, 2008 hearing, TRANSCO recalled the following witnesses for additional direct examinations: 1) Mr. Dasalla who made a presentation on the materials installed at the Boracay Interconnection Project; and 2) Ms. Ramoy who further testified in support of the application. The direct examinations having been terminated, the Commission propounded clarificatory questions on the said witnesses.

At the November 28, 2008 hearing, TRANSCO presented its fourth (4th) witness, Mr. Narciso M. Atienza, Division Manager for Electromechanical Design, who testified, among others, on the justification of the cost of the project and the bidding process conducted for the acquisition of the assets. In the course of his direct examination, several documents were presented and duly marked as exhibits. Thereafter, AKELCO was directed to file its formal offer of exhibits.

On February 25, 2009 and March 12, 2009, AKELCO filed its "*Motion for Extension*" and "*Second Motion for Extension*", respectively.

On March 23, 2009, March 26, 2009 and May 4, 2009 AKELCO filed its "*Motion with Manifestation and Formal Offer of Evidence*", "*Manifestation*" and "*Manifestation with Motion and Supplemental Formal Offer of Evidence*", respectively, which are hereby admitted for being relevant and material to the final resolution of the case.



DISCUSSION

AKELCO sought the Commission's approval of the following projects:

1. The Construction of a 30 MVA Substation

a. Project Description:

- Construction of a 30 MVA Substation in Sitio Tambisan, Manoc-Manoc, Boracay Island

b. Rationale of the Project:

- To address the increasing demand in the Municipality of Malay, Aklan and Boracay Island

c. Project Cost:

PhP47,921,424.00

2. The Construction of the 69 kV Overhead Transmission Line and Tapping Point Switchyard;

a. Project Description:

- Construction of a 69 kV Overhead Transmission Line and Tapping Point Switchyard for Connection to Caticlan Cable Terminal Station (CTS);

b. Rationale of the Project:

- To address the increasing demand in the Municipality of Malay, Aklan and Boracay Island

c. Project Cost:

PhP9,182,972.00



3. The Construction of the New 13.2 kV Distribution Line

a. Project Description:

- Construction of a new 13.2 kV distribution line using 69 kV materials from TRANSCO

b. Rationale of the Project:

- Reduction of system loss and improvement of voltage variation

c. Project Cost:

PhP20,468,711.00

4. The Acquisition of a 69 kV Submarine Cable

a. Project Description:

- Acquisition of TRANSCO's 69 kV submarine cable including the connection facilities and real properties

b. Rationale of the Project:

- To address the insufficient line capacity of the existing submarine cable.

c. Project Cost:

PhP108,174,985.00

The total project cost is as follows:

DESCRIPTION	PROJECT COST (PhP)
Construction of 30 MVA Substation	47,921,424.00
Construction of 69 kV Transmission Line and Switchyard	9,182,972.00
Construction of 13.2 kV Distribution Line	20,468,711.00
Acquisition of 69 kV submarine cable	108,174,985.00
TOTAL	185,748,092.00



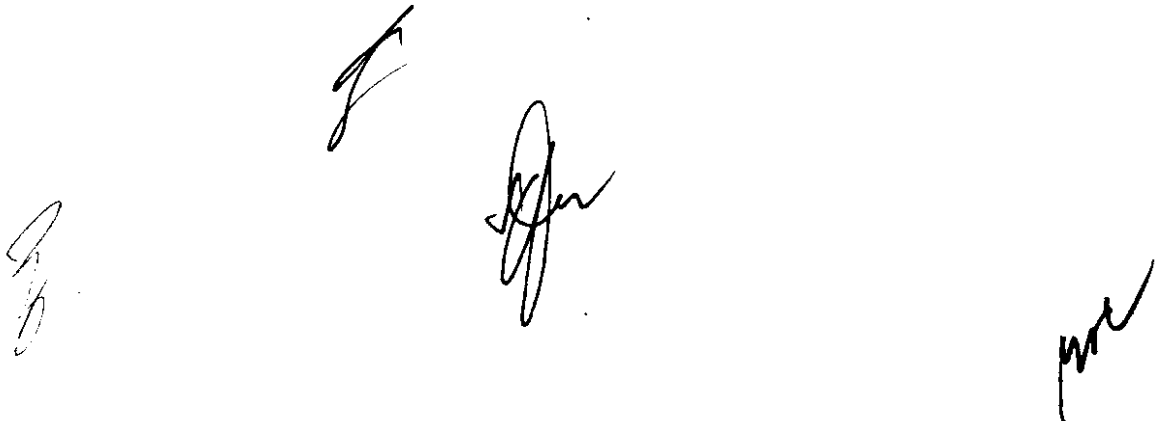
TECHNICAL ANALYSIS

A. The Caticlan Substation Loading

For the next five (5) years, the load forecast of AKELCO's 10 MVA Caticlan Substation indicates a high load percentage in its existing feeder. The said substation supplies power to Boracay Island thru Feeder 10. Shown below is AKELCO's projected demand in the Boracay Island:

YEAR	DEMAND (MW) IN BORACAY	YEAR	DEMAND (MW) IN BORACAY
2007	9.34		
2008	10.15		
2009	10.95	-	-
2010	11.76		
2011	12.57		
2012	13.37	2017	17.40
2013	14.18	2018	18.21
2014	14.99	2019	19.02
2015	15.79	2020	19.82
2016	16.60	2021	20.63

With the impending annual load growth in the Boracay Island, AKELCO proposed to construct a 30 MVA substation and divide Feeder 10. The new Feeder is intended to deliver power to the northern part of the Boracay Island and reduce the loading of the existing feeder. The new feeder shall address the following estimated demand of the Boracay Island:



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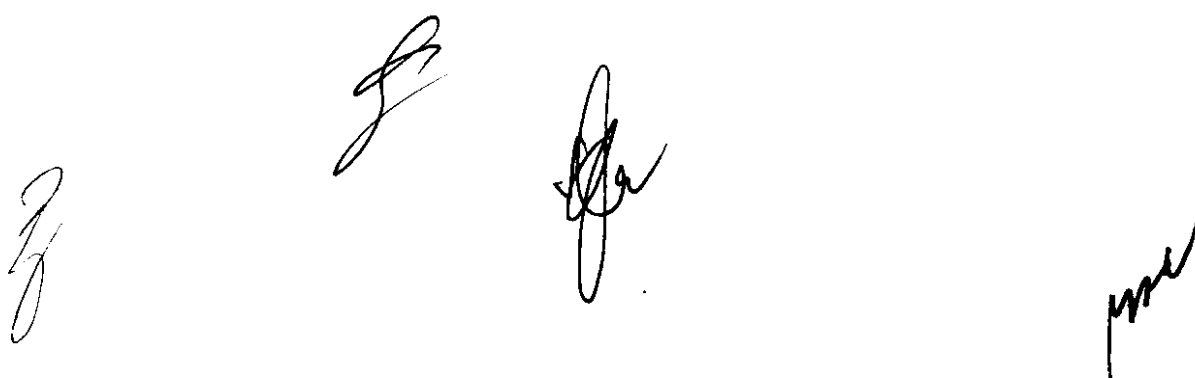
CUSTOMER	DEMAND
SHANGRILA RESORT	4.5 MW
SHANGRILA STAFF QUARTER	1.5 MW
ALTA VISTA	3 MW
BALAIHARA MC NEW COAST RESORT	0.95 MW
7 STONES CONDOTEL	0.50 MW
FIL. ESTATE NEW CORP.	0.45 MW
SHERATON HOTEL	5 MW
BORACAY REGENCY	1 MW
TOTAL	16.90 MW
Existing Demand	9.05 MW
TOTAL (With Existing Demand)	25.95 MW

The above establishments will be energized after the completion of the 30 MVA substation.

B. Feeder Analyses of 30 MVA Substation

At present, the existing Caticlan 10 MVA Substation located in mainland Aklan has two (2) feeders. The Feeder 10 is supplying the entire Boracay Island while Feeder 11 supplies the towns of Malay and Buruanga in the mainland.

Under the present scheme, AKELCO has difficulty in attaining an (n – 1) reliability of power supply because its existing current carrying capacity of the primary lines in the island is not sufficient to sustain the increasing power demand. With the construction of 30 MVA Substation in the Boracay Island, said reliability requirement could be attained and accommodate the load growth.

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Once the 30 MVA Substation is completed, AKELCO will have three (3) feeder lines: a) F10 (Manoc-manoc to Balabag); b) F11 (Malay, Buruanga); and c) F12 (Balabag to Yapak).

The practical benefits of these three (3) feeders configuration depend on the maintenance work of the distribution lines in the Boracay Island. The more the system is sectionalized, its system reliability becomes more enhanced. Shown below are the yearly 2-3 feeder losses and savings:

Year	2-Feeder Losses (kWh)	3-Feeder Losses (kWh)	Savings per Day (kWh)	Savings per Day (PhP)	Savings per Year (kWh)	Savings per Year (PhP)
2007	13,484	9,318	4,166	21,101	1,520,590	7,702,022
2008	15,136	10,408	4,728	23,948	1,725,720	8,741,037
2009	16,103	11,091	5,012	25,387	1,829,380	9,266,090
2010	17,066	11,790	5,276	26,724	1,925,740	9,754,169

PROJECT DESIGN

Construction of 69 kV Overhead Transmission Line and Tapping Point Switchyard for Connection to Caticlan CTS

The overhead transmission lines shall be a 69 kV, 3-phase, 3-wire, 60 Hertz (Hz), double circuit with 336.4 MCM bare Aluminum Conductor Steel Reinforced (ACSR). Concrete poles ranging from 45 feet to 65 feet shall be used for the overhead transmission system.



Construction of 30 MVA Substation Located in Sitio Tambisan, Manoc-Manoc, Boracay Island

Generally, the substation should be near, as much as possible, to the concentration of load. Meticulous evaluation has to be undertaken concerning the geological conditions of the land to prevent flooding.

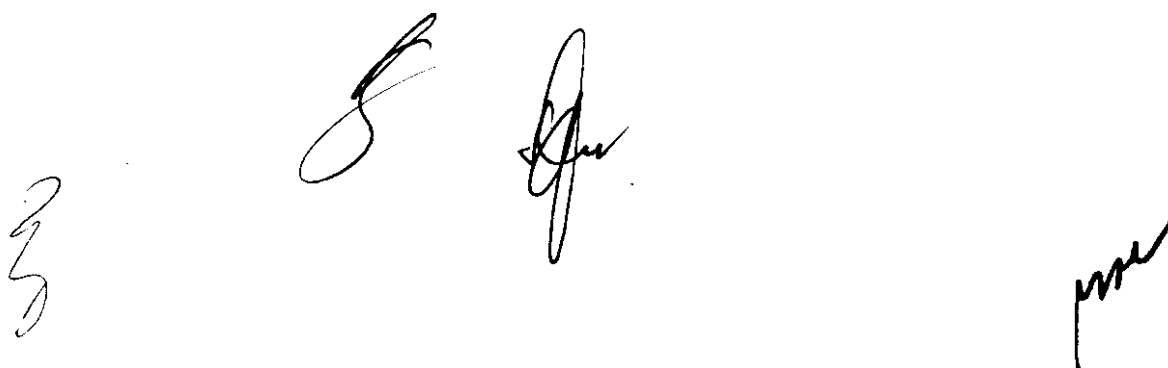
The substation should be radial in configuration which is a standard scheme for 69 kV systems adopted by Electric Cooperatives (ECs). AKELCO adopted this scheme as the most economical and appropriate for the Boracay Substation.

Caticlan Cable Terminal Station (CTS)

The proposed CTS at Caticlan side is located at Sitio Tabon, which is about 1.2 kilometers northwest of its existing 10 MVA Substation and about 300 kilometers from the shoreline. The parcel of land is capable of accommodating the terminal, metering, protection equipment, sealing ends, and appurtenances of the 69 kV Submarine Cable.

Boracay Cable Terminal Station (CTS)

The site for the CTS Station is an elevated rolling terrain located about 400 meters northeast of AKELCO's existing 13.2 kV Submarine Cable Terminal at Barangay Manoc-Manoc, Boracay Island, and 200 meters above from the Landing Submarine Cable.

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The CTS site is capable of accommodating the terminal, metering, protection equipment, sealing ends, appurtenances of 69 kV Submarine Cable and the required lot area for the future 600 meters for the 69 kV Substation in Boracay.

COST ANALYSIS

AKELCO conducted a competitive bidding and selection process for the supply of materials of the proposed projects. It adopted the Bidding Procedures Procurement Manual approved by its Board of Directors and the National Electrification Administration (NEA).

Shown below is the summary of the project cost:

Project	Estimated Cost (in PhP)	Source of Fund
1) Construction of 30 MVA S/S	18,873,764	Power Industries Services, Limited (PIS)
	29,047,660	Lease Purchase Agreement (LPA) with TRANSCO
Sub-Total	47,921,424	
2) Construction of 69 kV T/L and switchyard	2,102,762	PIS
	7,080,210	LPA with TRANSCO
Sub-Total	9,182,972	
3) Construction of 13.2 kV D/L	6,654,746	PIS
	13,813,965	LPA with TRANSCO
Sub-Total	20,468,711	
4) Acquisition of 69 kV submarine cable	108,174,985	LPA with TRANSCO
TOTAL	185,748,092	

AKELCO's total project cost originally filed with the Commission for its 2007 capital expenditure amounts to PhP185,748,092.00. However, its payable amount to TRANSCO increased from PhP158,116,820.00 to PhP163,113,490.00 due to the real properties and Right of Way (ROW) expenses and additional work expenses, to wit:

Engr. Ranny Maatubang Explanation:

Project Cost originally filed by AKELCO is in the amount of **PhP185,748,092.00**. The amount increased to PhP190,744,762.00 DUE TO REAL PROPERTIES AND RIGHT OF WAY EXPENSES AND ADDITIONAL WORK computed as follows:

163,113,490.00
Less: 158,116,820.00
<hr/>
4,996,670.00 (Real Properties, Right of Way and Additional Works Expenses)
Plus: 185,748,092.00
<hr/>
Total:190,744,762.00

ERC Case No. 2007-127 RC
DECISION/March 8, 2010
Page 13 of 17

Particulars	Amount (PhP)
Payable to TransCo (original LPA)	163,113,490
Payable to Power Industries Services	18,873,764
For additional works, materials and equipment	8,757,508
TOTAL PROJECT COST (Adjusted)	190,744,762

Based on the foregoing, it can be gleaned that the amount payable by AKELCO to TRANSCO was pegged at ten percent (10%), equivalent to PhP16,311,349.00. The balance of PhP146,802,141.04 will be paid by AKELCO in 240 equal monthly installments at PhP1,719,898.23/month.

The amount payable to Power Industries Services, Limited (PIS) was pegged at ten percent (10%), equivalent to PhP1,887,376.47. The balance of the down payment in the amount of PhP16,986,388.24 shall be paid by AKELCO

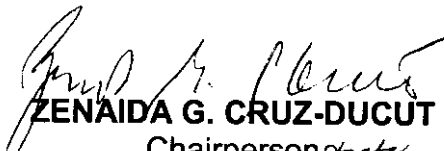
WHEREFORE, the foregoing premises considered, the application for the approval of its Major Capital Projects for calendar year 2007, with prayer for provisional authority filed by Aklan Electric Cooperative, Inc. (AKELCO) is hereby **APPROVED**.

Relative thereto, AKELCO is hereby directed to pay a permit fee, within fifteen (15) days from receipt hereof, in the amount of **One Million Four Hundred Thirty Thousand Five Hundred Eighty-Six Pesos (PhP1,430,586.00)**, computed as follows:

$$\frac{\text{PhP}190,744,762.00}{\text{PhP}100.00} \times \text{PhP}0.75 = \text{PhP}1,430,586.00$$

SO ORDERED.

Pasig City, March 8, 2010.


ZENAIDA G. CRUZ-DUCUT
Chairperson *of the*


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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3. **Hon. Rodson Mayor**
Oppositor
Altavas, Aklan
4. **Boracay Foundation, Inc.**
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Malay, Aklan
5. **Boracay Chamber of Commerce**
Boracay Island
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6. **Atty. LEE MANARES**
Oppositor
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Malay, Aklan
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11. **House Committee on Energy**
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12. **Office of the Municipal Mayor**
Altavas, Aklan

- 13. Office of the Municipal Mayor**
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- 14. Office of the Municipal Mayor**
Banga, Aklan
- 15. Office of the Municipal Mayor**
Batan, Aklan
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Buruanga, Aklan
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Malinao, Aklan
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Nabas, Aklan
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New Washington, Aklan
- 29. Office of the Municipal Mayor**
Numancia, Aklan

30. Office of the Municipal Mayor
Pandan, Aklan

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Antique, Aklan

32. Office of the Municipal Mayor
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