

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



IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
MAJOR CAPITAL PROJECT
UPGRADING OF ONE (1) 5 MVA TO
10 MVA SUBSTATION POWER
TRANSFORMER AND RELOCATION
OF ONE (1) 5 MVA SUBSTATION
TRANSFORMER FROM BAYUGAN
TO TALACOGON, WITH PRAYER
FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2008-043 MC

AGUSAN DEL SUR ELECTRIC
COOPERATIVE, INC. (ASELCO),
Applicant.

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DECISION

Before this Commission for resolution is the amended application filed on July 7, 2008 by Agusan del Sur Electric Cooperative, Inc. (ASELCO) for approval of the following major capital projects: 1) upgrading of one (1) 5 MVA substation power transformer; and 2) relocation of one (1) 5 MVA substation transformer from Bayugan to Talacogon, with prayer for provisional authority.

Previously, on March 25, 2008, ASELCO filed an application for approval of major capital projects, namely, upgrading of the distribution lines and one (1) 5 MVA to 10 MVA substation power transformer, 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

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dated April 1, 2008, were issued setting the case for initial hearing on April 29, 2008.

In the same Order, ASELCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, with the date of 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 ASELCO's franchise area were furnished copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On April 28, 2008, ASELCO filed its "*Pre-trial Brief for Applicant.*"

During the April 29, 2008 initial hearing of this case, only ASELCO appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

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In the said hearing, ASELCO adduced proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "E-2", inclusive. Thereafter, ASELCO presented its lone witness, Engr. Leonilo A. Lolong, its Technical Service Department Manager, who testified, among others, that the projects will improve the overall reliability and efficiency of ASELCO's distribution system. The direct examination having been terminated, the Commission propounded clarificatory questions on the said witness.

In the course thereof, it was discovered that ASELCO's application was incomplete for having omitted, among others, the relocation/transfer of the 5 MVA Power Transformer from Bayugan to Talacogon, Agusan del Sur. As a result, ASELCO was directed to immediately file an amended application incorporating therein the necessary amendments.

On May 14, 2008, the Commission issued an Order reiterating its directive to ASELCO to file its amended application.

In compliance therewith, on July 7, 2008, ASELCO filed its "*Amended Application.*"

On August 15, 2008, the Commission issued an Order setting the case for hearing on September 10, 2008.

At the continuation of the hearing on September 10, 2008, ASELCO recalled its lone witness, Engr. Lolong, who further testified, among others, on the technical specifications for each of the projects and their sources of funding.

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On September 17 to 19, 2008, the Commission conducted an ocular inspection on ASELCO's assets subject of the instant application.

On September 29, 2008, ASELCO filed a "*Motion for Extension of Time to Submit Formal Offer of Evidence.*"

On October 6, 2008, ASELCO filed its "*Formal Offer of Evidence*" which is hereby admitted for being relevant and material to the final resolution of the case.

DISCUSSION

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

1. **Upgrading of Bayugan Substation Power Transformer from 5 MVA to 10 MVA**

a. Project Description:


- Acquisition, installation and maintenance of the following: 1) one (1) brand new 10 MVA Power Transformer for the Bayugan substation; 2) 69 kilovolts Sulfur Hexaflouride (SF6) circuit breaker; and 3) lightning arrester at the main 13.2 kV side
- Installation, testing, commissioning and improvement of the site including concrete fencing and installation of safety or protection devices

b. Rationale of the project:

- The project is intended to reduce system loss
- It is also intended to balance and unload the critically loaded substation

c. Project Cost:

PhP26,000,000.00



2. Relocation of one (1) 5 MVA Substation Transformer from Bayugan to Talacogon

a. Project Description:

- Relocation, installation and reconditioning of the following: 1) one (1) 5 MVA power transformer to the new substation in Talacogon consisting of two (2) new feeders; 2) 69 kilovolts of Sulfur Hexafluoride (SF6) circuit breaker; and 3) lightning arresters at the main 13.2 kV side
- Construction of civil works, fencing, grounding of mat system, and structures for incoming and outgoing lines including installation safety or protection devices

b. Rationale of the project:

- The project is intended to reduce system loss
- It is also intended to improve service voltage

c. Project Cost:

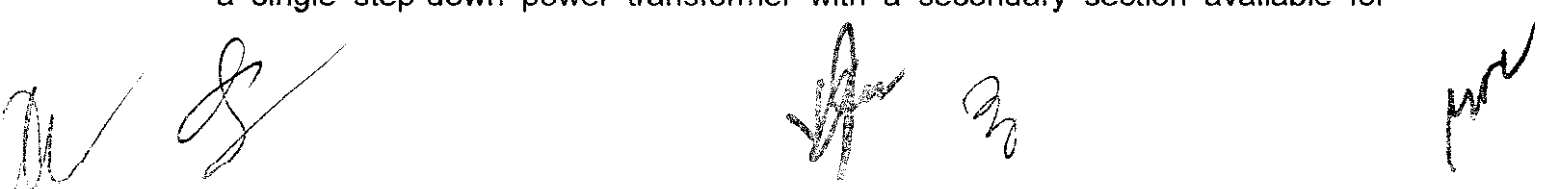
PhP11,000,000.00

Thus, the total project cost is as follows:

DESCRIPTION	COST (PhP)
Upgrading of Bayugan Substation Power Transformer from 5 MVA to 10 MVA	26,000,000.00
Relocation of one (1) 5 MVA Substation Transformer from Bayugan to Talacogon	11,000,000.00
TOTAL PROJECT COST	PhP37,000,000.00

PROJECT DESIGN

The brand new 10 MVA substation to be installed in Bayugan is an outdoor simple radial type configuration, having one incoming primary feeder on a single step-down power transformer with a secondary section available for



three (3) outgoing feeders that will serve Bayugan, Prosperidad, Sibagat and Esperanza areas. Investments and the operation and system expansion is simple.

The substation, including components, such as short-circuit and fault protection, system control and metering, cable and grounding system, conform with the applicable and widely-recognized international design standards of the American National Standards Institute (ANSI), Institute of Electrical and Electronic Engineers (IEEE) and the National Electrical Manufacturers' Association (NEMA). The new system is also compliant with the Philippine Grid Code and the Philippine Distribution Code.

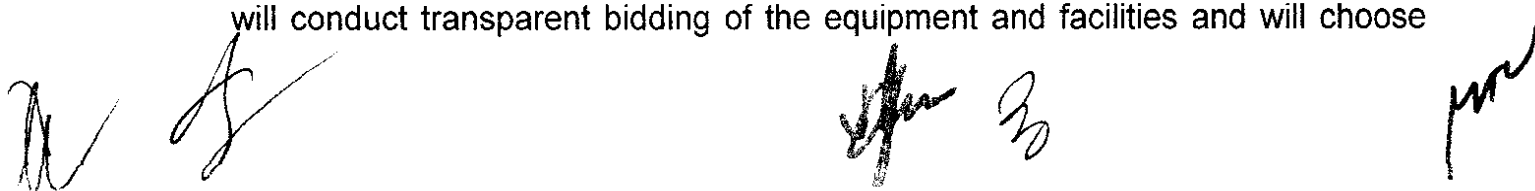
The substation's civil and structural works as well as ancillaries, such as steel structures for support and substation take-off, panel shelter and perimeter lighting, conform to the applicable international and local design standards. And all materials to be used in the upgrading are brand new.

On the other hand, the replaced 5 MVA substation power transformer in Bayugan will be transferred to the new substation in Talacogon. Since the 5 MVA substation is still useable, it would be re-installed with minor improvement and reconditioning.

The design of the projects is in conformity with the standards set by the IEEE, ANSI, PECA and the NEA.

COST ANALYSIS

ASELCO manifested that in the implementation of the subject projects, it will conduct transparent bidding of the equipment and facilities and will choose

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the least cost from among the bidders/suppliers that will meet the technical criteria. Further, it manifested that the funding of the projects will be sourced through loans from the National Electrification Administration (NEA).

A perusal of the evidence presented herein showed that the completion of the aforesaid projects will redound to the benefit of ASELCO's consumers in terms of continuous, reliable and efficient power supply as mandated by Republic Act No. 9136, or the *Electric Power Industry Reform Act of 2001* (Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power”).

WHEREFORE, the foregoing premises considered, the amended application for approval of the following major capital projects: 1) upgrading of one (1) 5 MVA substation power transformer; and 2) relocation of one (1) 5 MVA substation transformer from Bayugan to Talacogon, with prayer for provisional authority, filed by Agusan del Sur Electric Cooperative, Inc. (ASELCO) is hereby **APPROVED**.

Relative thereto, ASELCO is hereby directed to pay a permit fee in the amount of Two Hundred Seventy-Seven Thousand Five Hundred Pesos (PhP277,500.00) within ten (10) days from receipt hereof, computed as follows:

$$\frac{\text{PhP}37,000,000.00}{\text{PhP}100.00} \times \text{PhP}0.75 = \text{PhP}277,500.00$$

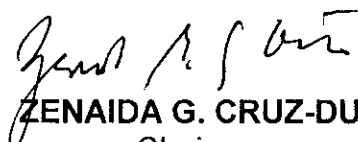
ASELCO is further directed to submit bidding results and copies of purchase orders for the upgrading of Bayugan and for the new Talacogon



substation for actual project costs validation, and a progress report indicating the project schedules to determine time and variance of implementation.

SO ORDERED.

Pasig City, October 27, 2008.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA R. CASTAÑEDA
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5. **Senate Committee on Energy**
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6. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
7. **The Municipal Mayor**
Municipality of Sibagat
Province of Agusan del Sur
8. **The Municipal Mayor**
Municipality of Esperanza
Province of Agusan del Sur
9. **The Municipal Mayor**
Municipality of Bayugan
Province of Agusan del Sur
10. **The Municipal Mayor**
Municipality of Talacogon
Province of Agusan del Sur
11. **The Municipal Mayor**
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12. **The Municipal Mayor**
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