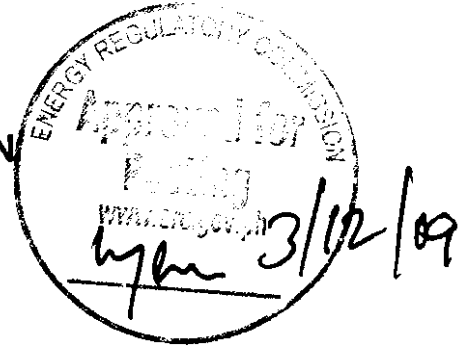


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
THE EMERGENCY CAPITAL
PROJECT WORTH MORE THAN
PHP17 MILLION DUE TO FORCE
MAJEURE, WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2008-094 MC

BANTAYAN ELECTRIC
COOPERATIVE, INC. (BANELCO),
Applicant.

X-----X

DOCKETED
Date: MAR 12 2009
By: *W*

DECISION

Before this Commission for resolution is the application filed on October 23, 2008 by Bantayan Electric Cooperative, Inc. (BANELCO) for approval of its emergency capital project worth more than Seventeen Million Pesos (PhP17,000,000.00), due to force majeure, 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 October 27, 2008, were issued setting the case for initial hearing on January 6, 2009.

In the same Order, BANELCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of

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general circulation in the Philippines, at least 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 BANELCO's franchise area were furnished copies of the Order and Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On November 9 to 11, 2008, the Commission conducted an ocular inspection on BANELCO's assets subject of the instant application.

On November 24, 2008, BANELCO filed its "*Pre-trial Brief*."

During the January 6, 2009 initial hearing of this case, only BANELCO appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.



In the said hearing, BANELCO adduced proofs of its compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "D-2", inclusive. Thereafter, it conducted an expository presentation of its application and presented the following witnesses: 1) Engr. Lee D. Rivera, its Acting Technical Services Manager, who testified, among others, on the extent of the damage on BANELCO's distribution lines caused by typhoon Frank and on the fact that BANELCO requested an emergency loan with the National Electrification Administration (NEA) as evidenced by its Board Resolution No. 36, Series of 2008; 2) Ms. Enedina C. Villacampa, its Finance Services Division Chief, who testified on BANELCO's request for loan from the NEA pursuant to a board resolution, the scheme of payment of the loan in twenty-nine (29) equal monthly installments with a one (1) year grace period and the balance, if any, to be paid from its reinvestment fund, the rate impact of the project and on BANELCO's intention to file a rate application to recover what it paid for the loans. The direct examinations having been terminated, the Commission propounded clarificatory questions on the said witnesses.

On January 29, 2009, BANELCO filed its "Formal Offer of Evidence" which is hereby admitted for being relevant and material to the final resolution of the case.

DISCUSSION

BANELCO sought the Commission's approval of the following project:

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1. Rehabilitation and Restoration of its Distribution Lines

a. Project Description:

- Rehabilitation and restoration of its distribution lines by putting up new poles

b. Rationale of the Project:

- To restore power supply to consumers
- To provide safe, efficient and reliable electric service

c. Project Cost:

PHP14,333,155.51

PROJECT DESIGN

The rehabilitation and restoration of the damaged distribution lines brought about by typhoon Frank aimed to restore the ruined distribution lines structures into its original condition. BANELCO submitted its Conceptual Engineering Design which maintained the existing design prior to the destruction by typhoon Frank in accordance with the Specifications and Drawings for Line Construction under the NEA Bulletin DX1320. Commonly used construction assembly designs were also submitted.



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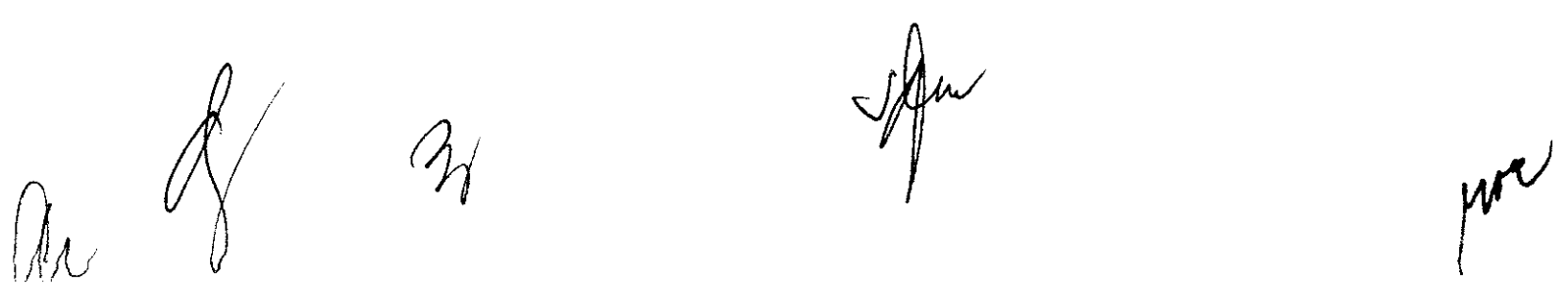
The distribution lines rehabilitation conformed with the applicable and widely-recognized international design standards of the American National Standards Institute (ANSI), Institute of Electrical and Electronic Engineers (IEEE) and National Electrical Manufacturer's Association (NEMA).

TECHNICAL ANALYSIS

The reliability analysis of power interruption experienced by BANELCO due to typhoon Frank showed that the System Average Interruption Frequency Index (SAIFI) is one (1) interruption per customer per month. It means that every customer of BANELCO suffered power outage.

The System Average Interruption Duration Index (SAIDI) measured at 19,272 minutes per customer per month indicated that there was no electric power for eleven (11) hours per day.

With this analysis, two (2) options were taken into consideration by BANELCO, namely: (a) construction of new distribution lines; and (b) rehabilitation and restoration of the distribution lines. Construction of new distribution lines is more costly and entails a longer time to restore power supply. Some line hardwares of the damaged distribution lines structures like bolts, insulators and conductors, could still be retrieved and used while some existing and newly maintained lines remained capable of distributing power, cost wise and time wise. Thus, rehabilitation of the distribution lines is the more reasonable option to restore power to the customers.

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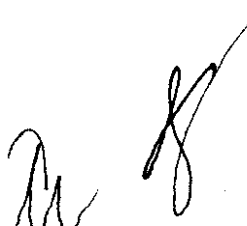
COST ANALYSIS

BANELCO manifested that materials were supplied by suppliers who have qualified from previous canvasses. A "*Task Force Kapatid*" consisting of linemen from other electric cooperatives extended their support to facilitate swift restoration of power. It further manifested that the funding of the project, which has already been implemented, was sourced from government loan and from its five percent (5%) Reinvestment Fund.

A perusal of the evidence presented herein showed that the completion and acquisition of the aforesaid projects redounded to the benefit of BANELCO'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 application for approval of the emergency capital project worth more than Seventeen Million Pesos (PhP17,000,000.00) due to force majeure, with prayer for provisional authority, filed by Bantayan Electric Cooperative, Inc. (BANELCO) is hereby **APPROVED**.

Relative thereto, BANELCO is hereby directed to pay a permit fee in the amount of One Hundred Seven Thousand Four Hundred Ninety-Eight Pesos and

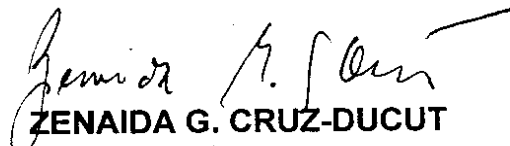


Sixty-Seven Centavos (PhP107,498.67), within fifteen (15) days from receipt hereof, computed as follows:

$$\frac{\text{PhP}14,333,151.51}{\text{PhP}100.00} \times \text{PhP}0.75 = \text{PhP}107,498.67$$

SO ORDERED.

Pasig City, March 2, 2009.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

Copy Furnished:

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1229 City of Makati
4. **Commission on Audit**
Commonwealth Avenue
1121 Quezon City
5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City 1307
6. **House Committee on Energy**
Batasan Hills, Quezon City 1126
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8. **Municipal Mayor**
Bantayan, Cebu
8. **Municipal Mayor**
Madridejos, Cebu
9. **Municipal Mayor**
Sta. Fe, Cebu