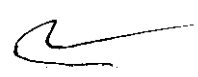


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
MAJOR ELECTRIC DISTRIBUTION
CAPITAL PROJECTS FOR CY 2009
WITHIN FRANCHISE AREA, WITH
PRAYER FOR A PROVISIONAL
AUTHORITY

ERC CASE NO. 2009-003 MC

BOHOL LIGHT COMPANY, INC.
(BLCI),

Applicant.

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DOCKETED

Date: JUN 09 2009


By: 

DECISION

Before this Commission for resolution is the application filed on January 7, 2009 by Bohol Light Company, Inc. (BLCI) for approval of its major electric distribution capital projects for calendar year (CY) 2009 within its franchise area, 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 January 12, 2009, were issued setting the case for initial hearing on February 11, 2009.

In the same Order, BLCI 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, 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 Office of the Mayor of Tagbilaran City was furnished with copies of the Order and Notice of Public Hearing for the appropriate posting thereof on its bulletin board.

On February 5 to 6, 2009, the Commission conducted an ocular inspection on BLCI's assets subject of the instant application.

On February 6, 2009, BLCI filed its "*Pre-trial Brief*".

During the February 11, 2009 initial hearing of this case, BLCI appeared. The OSG, through Atty. Jacqueline S. Martin-Balictar, appeared as intervenor. No other intervenor/oppositor appeared nor was there any intervention/opposition registered.

At the said hearing, BLCI presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly

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marked as Exhibits "A" to "M", inclusive. Thereafter, it conducted an expository presentation of its application.


At the termination of the expository presentation, BLCI presented its lone witness, Engr. Noel L. Alingig, its General Manager, who testified, among others, on the different major electric capital projects, their respective classifications and purposes, impact on its rates, effects on its distribution system in the event of non-implementation and project cost estimates, including his participation in the preparation of the application. In the course of his direct examination, various documents were presented and duly marked as exhibits.

The direct examination having been terminated, the Commission propounded clarificatory questions on the said witness and directed BLCI to submit various documents.

On February 23, 2009, BLCI filed its "*Compliance with Formal Offer of Evidence*" which are hereby admitted for being relevant and material to the final resolution of the case.

On March 12, 2009, the OSG filed its "*Comment (On Applicant's Formal Offer of Exhibits)*".

On March 16, 2009, the Commission issued an Order directing BLCI to furnish the OSG with certified true copies of its exhibits.

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On March 20, 2009, BLCI filed its "*Manifestation (Re: Comment of the Republic of the Philippines with Motion for Resolution)*".

On March 25, 2009, BLCI filed its "*Motion for Reconsideration (Re: Order Dated March 16, 2009)*". Relative thereto, on April 1, 2009, the Commission issued an Order setting aside its Order dated March 16, 2009 and declaring the instant case submitted for resolution.

DISCUSSION

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

1. Installation of 69 kV Protection Equipment for the Second 10 MVA Substation

a. Project Description:

- Installation of 69 kV protection equipment: lightning arrester, sulfur hexafluoride (SF6) circuit breaker, potential transformer, current transformer protection relays and accessories

b. Rationale of the Project:

- To improve power quality, reliability, efficiency and safe operation of the distribution system

c. Project Cost:

PhP4,793,208.00

2. Extension of Distribution Lines and Acquisition of 13.8 kV Distribution Line

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a. Project Description:

- Extension and upgrading of secondary lines to primary lines from Tiptip basketball court to BBC Laundry Shop and Booy Chapel to Sport Center
- Extension of secondary lines along Solijon St., Dao District, Zamora St., Lanao Dao, and along the City Road near Galab Compound, Dampas
- Acquisition of BDPP-PPUD 13.8 kV sub-transmission lines

b. Rationale of the Project:

- To meet forecasted demand
- To reduce systems loss
- To improve power quality, reliability, efficiency and safe operation of the distribution system

c. Project Cost:

PhP1,844,998.00

3. Upgrading and Jogging of Existing Distribution Transformers and Installation of Protective Devices

a. Project Description:

- Upgrading and jogging of distribution transformers and installation of protective devices

b. Rationale of the Project:

- To attain minimum capacity
- To promote power quality and reliability and address required service delivery standards
- To provide significant economic and technical benefits
- To attain sustainable economic loading and reduce systems loss

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c. Project Cost:

PhP2,204,400.00

Thus, the total project cost is as follows:

DESCRIPTION	COST(PhP)
Installation of 69 kV Protection Equipment for the Second 10 MVA Substation	4,793,208.00
Extension of Distribution Lines and Acquisition of 13.8 kV Distribution Line	1,844,998.00
Upgrading and Jogging of Existing Distribution Transformers and Installation of Protective Devices	2,204,400.00
TOTAL	PhP8,842,606.00

COST ANALYSIS

The capital investment for these proposed projects and activities for CY 2009 amounted to Eight Million Eight Hundred Forty-Two Thousand Six Hundred Six Pesos (**PhP8,842,606.00**). The contract for the supply of materials of the proposed projects will be assigned to qualified suppliers after a competitive bidding and selection process. The project financing will be sourced through the internally-generated funds of BLCI. The project cost was based on suppliers' proposals and previous purchases. The cost of materials and other items were reflective of the market prices.

The bulk of the capital expenditure is attributable to the acquisition of materials, specifically for the pole line hardwares and installation of protective devices. The labor cost component of the projects will be shouldered by the administration. Thus, labor cost will be kept at a reasonable level. The concern



for the right-of-way is not much of an issue since the lines will be constructed along the national highway and have been cleared by the Department of Public Works and Highways (DPWH). The table below shows the costs comparison for some project items:

Table 1. Cost Comparison

Item Description	unit	BLCI	DASURECO	TARELCO II
SF6 CB 69kV, 1250A, 325BIL	pc	1,343,156.00*	3,528,571.45	2,629.724.00
Item Description	unit	BLCI	NEA PRICE INDEX (2008)	
Concrete Pole 35ft	pc	12,348.00*	13,021.00	
Concrete Pole 25 ft	pc	7,398.00*	6,291.69	
#2/0 ACSR, Bare	pc	35.63*	38.80	
75kVA Transformer	pc	114,760.00*	139,726.19	
100kVA Transformer	pc	159,600.00*	156,236.34	

*Price considered by BLCI in their project cost estimates

TECHNICAL ANALYSIS

Line improvement projects will cover several secondary and primary distribution sections, particularly in the following areas: a) From Tiptip basketball court to BBC Laundry Shop; b) From Booy Chapel to Sports Center; c) Along Solijon St., Dao District; d) Along Zamora St., Lanao Dao; and e) Along City road near Galab Compound, Dampas.

The distribution line upgrading and extension will ensure reliability of service and increase the power carrying capacity of the conductors and thus, will address the inevitable increase in the number of residential and commercial customers. Moreover, the projects will improve the distribution systems loss of BLCI. The table below shows the existing distribution systems loss and forecasted systems loss upon the implementation of the line improvement projects:

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Table 2. BLCI's existing and forecasted distribution systems loss

	Energy Input (kWH)	Energy Output (kWH)	Admin. Loss (%)	Tech'l Loss (%)	Non-Tech'l Loss (%)	Total System Loss (%)
Existing System Loss	85,711,937.00	77,440,735.08	0.52	4.37	4.76	9.65
Forecasted System Loss	85,711,937.00	77,592,169.10	0.52	4.19	4.76	9.47

It can be gleaned that the proposed projects will improve BLCI's distribution systems loss by at least 0.18% aside from the fact that it will solve power quality problems like under-voltages, reliability and increasing number of customers. This improvement translates to additional revenues for BLCI.

Benefit/Cost Ratio shows that the projects are acceptable since the benefit from these projects will exceed the project cost:

DESCRIPTION	2009
PROJECT AMOUNT (PhP)	8,842,606
PROJECTED ENERGY SALES (KWH)	81,253,000
NET PRESENT VALUE (PhP)	239,458
INTERNAL RATE OF RETURN (IRR)	8.47
BENEFIT/COST RATIO	1.03:1

Formula: $\frac{\text{Annual Expected Cash Inflows} \times \text{Present Value Factor}}{\text{Project Amount}}$

PROJECT DESIGN

The 13.2 kV three (3) phase primary distribution lines utilize a single conductor per phase configuration with one (1) overhead grounding wire and supported by wooden poles. The type of conductor to be used will be the #2/0

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Aluminum Conductor Steel Reinforced (ACSR) cable. The conductor's *ampacity*¹ for the cable is 270 amperes, which is sufficient to handle the energy requirements for the next ten (10) years.

The distribution lines along the national road conform to DPWH-prescribed standard with distance measured from the road centerline, averaging about 10 meters. Some of the lines will pass through subdivisions and suburbs. These will be constructed in close proximity to the access roads. The right-of-way is not much of a concern given a previously issued DPWH permit.

The supporting structures, pole dressing and assemblies for the distribution lines are in accordance with the standards of the Philippine Electrical Code (PEC).

A perusal of the evidence presented herein showed that the completion and acquisition of the aforesaid projects will redound to the benefit of BLCI'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”*).

However, BLCI's proposed acquisition of the Bohol Diesel Power Plant-Provincial Public Utilities Department's (BDPP-PPUD) 13.8 kV sub-transmission lines is subject to the Commission's approval of its sale.

¹ Electrical Engineering term referring to the current-carrying capacity of electrical wires or conductors



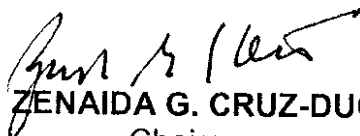
WHEREFORE, the foregoing premises considered, the application for approval of major electrical distribution capital projects for calendar year (CY) 2009 within the franchise area, with prayer for provisional authority, filed by Bohol Light Company, Inc. (BLCI) is hereby **APPROVED**.

Relative thereto, BLCI is hereby directed to pay, within fifteen (15) days from receipt hereof, a permit fee in the amount of **Sixty-Six Thousand Three Hundred Nineteen Pesos and Fifty Five Centavos (PhP66,319.55)**, computed as follows:

$$\frac{\text{PhP}8,842,606.00}{\text{PhP}100.00} \times \text{PhP}0.75 = \text{PhP}66,319.55$$

SO ORDERED.

Pasig City, May 25, 2009.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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4. **Commission on Audit**
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 Quezon City, Metro Manila

5. **Senate Committee on Energy**
 GSIS Bldg. Roxas Blvd., Pasay City
 Metro Manila

6. **House Committee on Energy**
 Batasan Hills, Quezon City, Metro Manila

7. **The City Mayor**
 Tagbilaran City
 Province of Bohol