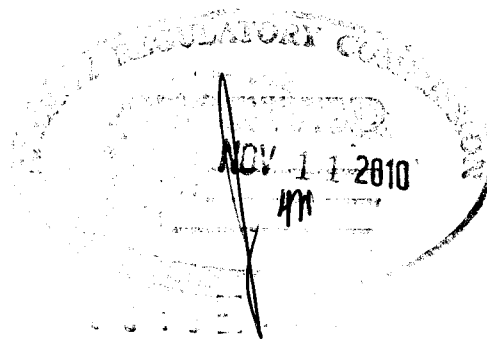


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
PROPOSED ELECTRIC CAPITAL
PROJECTS FOR THE YEAR 2010 TO
2013 AND AUTHORITY TO SECURE
LOAN FROM NEA, WITH PRAYER
FOR PROVISIONAL AUTHORITY.



ERC CASE No. _____ RC

BATANES ELECTRIC COOPERTIVE,
INC. (BATANELCO)

Petitioner/Applicant,

X-----X

APPLICATION

COMES NOW, applicant BATANES ELECTRIC COOPERTIVE, INC. (BATANELCO), by and through the undersigned counsel, and unto this Honorable Commission, most respectfully states:

1. That applicant is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, with the principal office at Basco, Province of Batanes where it may be served with summons and other legal processes, represented in this instance by its Officer-in-Charge, **Victoria A. Mata** of legal age, Filipino, married and with office address also at Basco, Province of Batanes;
2. Herein applicant is the exclusive franchise holder issued by the National Electrification Administration (NEA) to operate an electric light and power services in the (6) municipalities, namely the municipalities of Basco, Ivana, Mahatao, Sabtang, Itbayat, Uyugan, all in the Province of Batanes;
3. That the applicant BATANELCO consumer profile shows that out of the total number of consumers, the percentage is as follows: residential consumers 65.07%, small commercial 14.34%, no industrial consumer, Public Building 14.29%, street lights 1.10%, communal water system 5.19%;
4. That the applicant BATANELCO's energy demand will reached approximately 1.0 MW at the end of 2010 and forecast estimates indicate that the applicant will have a steady energy demand growth rate of 8.3% every year until 2015, at which time the energy demand of BATANELCO will be at 1.5MW. It is even expected that the energy demand will reach

even higher in the event NPC could supply additional power at the end of five years or more;

5. That BATANELCO gets the bulk of power for distribution to its coverage area through the transmission system facilities operated and maintained by the NPC SPECIAL POWER UTILITY GROUP (NPC- SPUG);
6. That applicant has identified eleven (13) projects, classified according to the projects that intends to address load growth, projects that intends to reduce losses in transformers and feeders. The following are the proposed projects for implementation upon economic and financial feasibility:

A. Distribution Development Plan 2010-2013

1. Summary of DDP 2010-2013
2. Distribution Planning Process, Methodology and Criteria
3. Load and Customer Forecast
4. Deficiencies of the existing distribution system

B. Projects:

1. Replacement of Deteriorated Distribution Transformer - with the estimated cost of Php. 1,000,116.00;
2. Replacement of Rotten/Burned Poles - with the estimated cost of Php. 316,875.00;
3. Replacement of Corroded Transformer and Sectionalizer Cutouts - with the estimated cost of Php. 232,131.40;
4. Installation of System Neutral and Grounding and Replacement of Corroded Pole Accessories from Taytay to San Juaquin – with the estimated cost of Php. 185,895.50;
5. Replacement of Corroded Single Phase Primary Conductor and Pole Accessories from Brgy. Pantayan, Mahatao to Sitio Diura including Installation of System Neutral and Grounding – with the estimated cost of Php. 322,708.46;
6. Procurement of Lineman Tools and Equipment – with the estimated cost of Php. 464,891.53;
7. Installation of System Neutral and Grounding for 16 km Floating Primary Line Sabtang – with the estimated cost of Php. 947,560.32;
8. Replacement of Deteriorated Three Phase Conductor and Pole Accessories from disked to Tabut Sectionalizer – with the estimated cost of Php. 1,370,747.26;
9. Replacement of Deteriorated/Corroded Three Phase Pole Accessories from Vatang to Ivana Welcome – with the estimated cost of Php. 969,014.82;
10. Replacement of Deteriorated/corroded Pole Accessories including Replacement of System Neutral and Grounding from Ivana to Itbud Sectionalizer – with the estimated cost of Php. 1,788,624.64;
11. Replacement of Deteriorated/Corroded Pole Accessories and Conductor including Replacement of System Neutral and Grounding from Uyugan to Itbud – with the estimated cost of Php. 576,265.10;
12. Replacement of Deteriorated/Corroded Pole Accessories at Itbayat – with the estimated cost of Php. 800,000.00;
13. Replacement of Old Kilowatt Hour Meters – with the estimated cost of Php. 1,000,000.00;

C. Supporting Documents:

1. Financial Analysis Summary

- 1.1 Projected Financing Plan
- 1.2 Approved Unbundled Rate
- 1.3 Rate Impact Analysis
- 1.4 Projected Cash Flow
- 1.5 Projected Statement of Operation
- 1.6 Projected Balance Sheet
- 1.7 Financial Ratio

2. Financial Analysis of the 5-year Capex Plan

- 2.1 Rate Components of BATANELCO
- 2.2 Capex Rate
- 2.3 Financing Plan
 - 2.3.1 Projected Cost
 - 2.3.2 Project Justification
 - 2.3.3 Project Impact & Benefit
 - 2.3.4 5 Year Historical of Operation
 - 2.3.5 5 Year Forecast Statement of Operation with rate impact

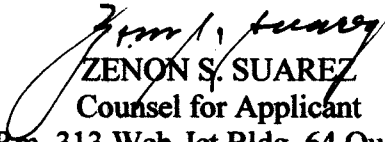
- 2.3.6 Source of Financing
 - 2.3.6.1 National Electrification
 - 2.3.6.2 Other Banks
 - 2.3.7 Loan Amortization Schedule
 - 2.3.7.1 7 Years plan
 - 2.3.7.2 10 Years plan
 - 3. Projected Economic Cost Analysis
 - 3.1 Project Cost Description
 - 3.2 Project Benefits
 - 3.3 Return on Investment
 - 3.4 Pay back period
 - 3.5 Impact/Effect on Rate Base
 - 3.6 Net Present Value
 - 4. Conclusion and Recommendation
 - 5. Annexes
 - 5.1 AFS 2009 Audited Financial Statement
 - 5.2 USR BATANELCO Approved Unbundled Rates
 - 5.3 Capital Project Cost for Financing
 - 5.4 5 Years Forecast – Statement of Operation with Rate increase
 - 5.5 5 Years Projected Cash Flow
 - 5.6 5 Years Projected Balance Sheet
 - 5.7 Schedule
 - 5.8 Assumption
7. That the above project will be implemented on a staggered basis starting 2010 to 2013 and financing of the said projects will be taken from NEA loan and the Applicant's Reinvestment Fund;
 8. That the Applicant will request to secure a Php. 9,974,830.00 loan from National Electrification Administration (NEA);
 9. That the proposed projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC) and other relevant government issuances, and in accordance with ERC Resolution on capital projects;
 10. For purposes of and in connection with this application, BATANELCO hereby submit the following documents in compliance with the requirements pertinent hereto:
 - a. Compliance with the pre-filing requirements:
 - i. Certification from the Presiding Officer or Secretary of the Legislative bodies of the Franchise Area and of the Sangguniang Panlalawigan of Batanes, or their duly authorized representatives attesting to the fact that applicant has furnished the respective legislative bodies of the local government units within the Franchise Area and the Sangguniang Panlalawigan: and
 - ii. Affidavit of Publication and Newspaper issue containing the published Application in it's entirety in a newspaper of general circulation in BATANELCO's franchise area.
 11. That the approval of the proposed capital expenditure projects is needed to maintain efficient, reliable, and safety delivery of power to BATANELCO's existing and future consumers, and will redound to the benefit of the consuming public.

PRAYER

WHEREFORE, premises considered, it is respectfully prayed of this Honorable Commission that pending hearing, the herein submitted application for approval of proposed electric capital projects and authority to secure loan from the National Electrification Administration be provisionally approved ex parte; and the applicant ne authorized to adopt and implement the same effective upon such approval and after due to notice and hearing and consideration, the application be approved permanently.

Other relief/s just and equitable in the premises are likewise prayed for.

Quezon City for Pasig City this 9TH day of September, 2010.


ZENON S. SUAREZ
Counsel for Applicant
Rm. 313 Web-Jet Bldg. 64 Quezon Ave.,
Cor. BMA St. Quezon City
PTR No. 3510066 1/11/10 Caloocan City
IBP LRN 01592 6/24/99 Pasig City
Attorney Roll No. 25041
MCLE COMPLIANCE No. III-0002187
Tel. No. (02) 412-01-07