

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
CAPITAL EXPENDITURE  
PROJECTS COVERING  
THE PERIOD 2013 TO  
2020 WITH AUTHORITY  
TO SECURE LOAN FROM  
NEA,**

**ERC CASE NO. 2016-012 RC**

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

X-----X

**DOCKETED**  
Date: APR 28 2016  
By: [Signature]

**ORDER**

On 17 February 2016, Bantayan Island Electric Cooperative, Inc. (BANELCO) filed an application for approval of its capital expenditure projects (CAPEX) covering the period 2013 to 2020 with authority to secure loan from the National Electrification Administration (NEA).

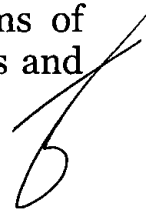
In the said application, BANELCO alleged, among others, the following:

1. BANELCO is an electric cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Balintawak Bantigue, Bantayan, Cebu, Philippines, represented herein by its General Manager of the Office, LEE D. RIVERA, duly authorized by virtue of Resolution No. 83, Series of 2015 dated 12 September 2015 of the Board of Directors, copy of which is attached to the application as Annex "A" and made an integral part hereof. The filing of the instant application is likewise authorized under the afore-mentioned resolution.

2. BANELCO has been granted by NEA an authority to operate and distribute electric light and power within the coverage area comprising the Municipalities of Bantayan, Madridejos and Sta. Fe Province of Cebu.
3. The application is filed in compliance with ERC Resolution No. 26, Series of 2009 (A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects)" adopted pursuant to the mandate of Section 43 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, which categorically provides that all capital expenditure projects shall be submitted to and for the approval of the Commission prior to its implementation, in relation to ERC Resolution No. 20, Series of 2011 which sets the timelines for the filing of the instant application.
4. The aforecited amended rules was issued by the Commission to ensure that the projects are timely, appropriate, necessary and cost efficient; to ensure that the proposed capital projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippines Distribution Code (PDC), and other relevant government issuances; and to ensure that the procurement of equipment, materials and services are transparent, competitive and compliant with the applicable laws and regulations.
5. In accordance with the amended CAPEX rules, consistent with the Distribution Development Plan and the Philippine Distribution Code, BANELCO shall acquire, construct and implement the following capital expenditure projects covering the period from 2013 to 20120 with a total approximate cost of P 70,458,715.21.

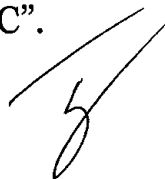
5.1. DESCRIPTION OF THE PROJECTS:

- 5.2.1 Distribution Plant Asset or Network CAPEX are projects that will address safety, power quality and reliability of the distribution system of the electric.
- 5.2.2 The Other Network CAPEX are intended in responding customer requirements in terms of additional distribution transformers, meters and



service drop wires due to annual customer growth as forecasted including replacement of defective kilowatt-hour meters and additional funds for YRRP.

- 5.2.3 Non-Network CAPEX projects are projects that will enhance its capability in responding customer requests and concerns for better and efficient electric service. Further, its facilities and equipments will be responsive to the quality service that the consumers deserve.
6. With the prevailing situation in the electric power industry vis-à-vis the consumers' demand, BANELCO deems it appropriate to embark on asset development and expansion in order to meet the growing demands.
  7. The procurement of the aforementioned project is of great necessity in the schedules herein provided, otherwise service decline is eminent, to the prejudice of the consumers.
  8. If a force majeure or fortuitous event, as the case may be, occurs, BANELCO shall seek the ERC's confirmation of the implementation of the capital projects arising from Typhoon Yolanda and similar event.
  9. Consistent with the requirement of the filing of applications for approval of capital projects, BANELCO attached to the application and made an integral part hereof, the justifications, related and indispensable documents, chronologically arranged and contained in Annex "B" and series hereof.
  10. Finding the capital expenditure projects reasonable, appropriate, necessary and beneficial to the consumers, it being envisioned to further their interests; there being no adverse effects on its implementation, but rather results to service decline if not achieved and implemented on the periods it is projected to occur, the Board of Directors of BENECO passed Resolution No.83 Series of 2015 dated 12 September 2015 approving the proposed CAPEX, copy of which is attached to the application as Annex "C".



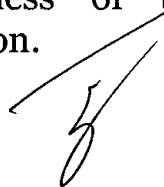
11. Information on the capital projects for the period covering 2013 to 2020 had been widely disseminated through posting in the conspicuous places of the Municipalities of Bantayan, Madridejos and Sta. Fe as certified to by Lilibeth Z. Lariosa, an employee of BENEKO tasked to undertake such dissemination, copy of which is attached to the application as Annex "D" and series. The notices posted in the areas aforementioned specifically contained the following:
- a. the capital expenditure projects
  - b. the reasons for said capital projects;
  - c. the source of fund for the said projects;
  - d. indicative rate impact of the said projects;
12. In the implementation of the capital expenditure projects, BANELCO shall partly utilize its internally generated funds out of the Members Contribution for Capital Expenditure Projects, and part of the fund shall be sourced through a financing program from NEA. A separate application for authority to secure loan shall be filed with the Commission if necessary.
13. The implementation of the capital expenditure projects shall bring forth an indicative rate impact as follows:

***Indicative Rate Impact of the Project***  
***(With NEA Loans @ 6.5% Interest Rate for 10 years)***

(*000)	2016	2017	2018	2019	2020	TOTAL
Forecasted energy sales, kWh	21,063	22,260	23,456	24,645	25,824	117,248
Cash balance beginning, PhP, excess/(shortfall)	1	(12,218)	(19,837)	(23,561)	(24,634)	1
<b>CASH INFLOWS</b>						
current year collection @PhPo.4497/kWh	9,472	10,010	10,548	11,083	11,613	52,726
50% of income on leased properties	63	63	63	63	63	317
loan proceeds from financial institutions, PhP	22,201	2,779				24,980
government subsidy	-	-	-	-	-	-
<b>Total Cash Inflows, PhP</b>	<b>31,736</b>	<b>12,853</b>	<b>10,612</b>	<b>11,146</b>	<b>11,677</b>	<b>78,024</b>

Available cash for disbursement	31,738	635	(9,226)	(12,415)	(12,957)	78,025
<b>CASH OUTFLOWS</b>						
CAPEX requirement	31,094	12,315	8,609	7,520	11,449	70,987
Rural electrification projects	-	-	-	-	-	-
new amortization (new CAPEX), PhP	3,088	3,475	3,475	3,475	3,475	16,988
amortization of approved CAPEX, PhP						-
amortization of old debts	9,543	4,590	2,187	1,168	1,089	18,577
ERC Permit Fee, PhP	231	92	64	56	85	528
<b>Total Cash Outflows, PhP</b>	<b>43,956</b>	<b>20,472</b>	<b>14,335</b>	<b>12,219</b>	<b>16,098</b>	<b>107,080</b>
Cash balance ending, PhP, excess/(shortfall)	(12,218)	(19,837)	(23,561)	(24,634)	(29,055)	(29,055)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	<b>(0.580)</b>	<b>(0.891)</b>	<b>(1.004)</b>	<b>(1.000)</b>	<b>(1.125)</b>	<b>(0.2478)</b>

14. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this application together with all its annexes and accompanying documents had been furnished by BANELCO to the Legislative Body of the Municipality of Bantayan where BANELCO principally operates and the Legislative Body of the Province of Cebu. Likewise the application was published in the newspaper of general circulation within the franchise area of BANELCO, copy of which is attached to the application and made integral part of this application.
15. As proof of such compliances are the acknowledgment receipts duly certified and issued by the Secretaries of the Legislative Bodies of the Local Government Units concerned as Annexes "E", "E-1" respectively. Likewise attached to the application as Annex "F" is the Affidavit of Publication executed by the Editor-in-Chief of Malaya, a newspaper of general circulation within the franchise area of BENECON, and copy of the newspaper for the issue dated 12 February 2016 issue, containing the published application marked as Annex "F-1" hereof.
16. Moreover, prior to the filing of this application, a pre-filing conference with the concerned staff of the Commission was conducted pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to the application.

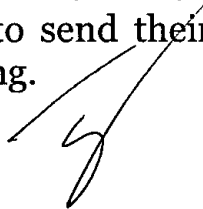


17. BANELCO prays that the Commission:
- a) approve, after due notice and hearing, the capital projects/expenditures subject of this application
  - b) allow/authorize it to recover from the members-consumers its expenditures/costs incurred in the implementation of the Capital Expenditure Projects;
  - c) authorize it to make the necessary loan from the National Electrification Administration to partly finance the applied capital expenditure projects, in the event the reinvestment fund of the cooperative shall not be sufficient;

Finding the said application sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **17 June 2016 (Friday) at ten o'clock in the morning (10:00 A.M.) at BANELCO's Main Office, Balintawak Bantigue, Bantayan, Cebu.**

BANELCO is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled initial hearing. It is 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.

Let copies of the Application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.



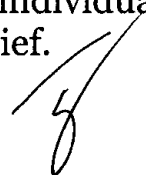
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of the Province of Cebu as well as the Mayor and the Local Government Legislative Body of the city or municipality within BANELCO's franchise area for the appropriate posting thereof on their respective bulletin boards.

BANELCO is hereby directed to furnish all those making requests therefor with copies of the Application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing and pre-trial conference, BANELCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor, Mayors, and Local Government Legislative Body, or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

BANELCO and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.



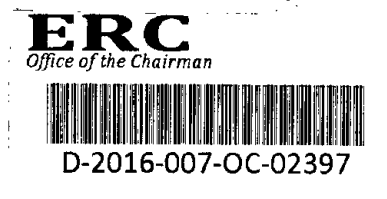
Failure of BANELCO to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, BANELCO must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.


**SO ORDERED.**

Pasig City, 14 April 2016.

FOR AND BY AUTHORITY OF  
THE COMMISSION:



**JOSE VICENTE B. SALAZAR**  
Chairman and CEO

 MLMG/APV/Initial Order\_2016-012RC banelco



Copy Furnished:

1. **Zenon S. Suarez**  
Counsel for BANELCO  
Rm. 506 Web-Jet Bldg., 64 Quezon Ave.,  
Cor. BMA St. Quezon City
2. **BANTAYAN ISLAND ELECTRIC COOPERATIVE,  
INC. (BANELCO)**  
Attention: Mr. Lee D. Rivera  
General Manager  
Balintawak Bantigue, Bantayan, Cebu
3. **The Office of the Solicitor General**  
234 Amorsolo Street, Legaspi Village, Makati City  
Metro Manila
4. **The Commission on Audit**  
Don Mariano Marcos Avenue  
Diliman, Quezon City, Metro Manila
5. **The Committee on Energy**  
Senate of the Philippines  
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. **The Committee on Energy**  
House of Representatives  
Batasan Hills, Quezon City, Metro Manila
7. **Office of the President of PCCI**  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue  
Makati City
8. **Office of the Municipal Mayor and the Local  
Government Legislative Body**  
Municipality of Bantayan  
Province of Cebu
9. **Office of the Municipal Mayor and the Local  
Government Legislative Body**  
Municipality of Madridejos  
Province of Cebu



10. **Office of the Municipal Mayor and the Local  
Government Legislative Body**  
Municipality of Sta. Fe  
Province of Cebu
  
11. **Office of the Provincial Governor**  
Province of Cebu

A handwritten signature in black ink, consisting of a series of fluid, connected strokes, positioned to the right of the list items.