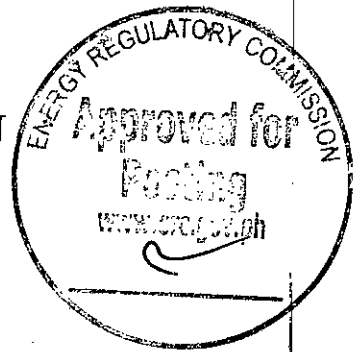


Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE CAPITAL EXPENDITURE PROJECTS OF BUKIDNON SECOND ELECTRIC COOPERATIVE, INC. (BUSECO) FOR THE YEARS 2017 TO 2019, WITH PRAYERS FOR THE ISSUANCE OF PROVISIONAL AUTHORITY AND TO SECURE LOAN FROM THE NATIONAL ELECTRIFICATION ADMINISTRATION (NEA)**

**ERC CASE NO. 2016-080 RC**

**BUKIDNON SECOND ELECTRIC COOPERATIVE, INC. (BUSECO),**  
**Applicant.**

**D O C K E T E D**  
Date: JUN 17 2016  
By: [Signature]

X ----- X

**ORDER**

On 29 April 2016, the Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an Application for approval of its capital expenditure projects for the years 2017 to 2019, with prayer for the issuance of a provisional authority and to secure loan from the National Electrification Administration (NEA).

In the said Application, BUSECO alleged the following:

1. That the **Applicant** is an electric cooperative existing pursuant to law (P.D. 269) with postal address at Tankulan, Manolo Fortich, Bukidnon, which may be served by the processes of this Honorable Commission through its General Manager, Deiter Hoff P. Arellano, CPA, MBA, whose authority is hereto attached as **Annex "A"** and made an integral part of this Application. That **Applicant's** franchise area includes nine (9) municipalities in the province of Bukidnon, namely: Baungon, Malitbog, Libona, Manolo

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Fortich, Sumilao, Impasug-ong, Lantapan, Cabanglasan and Talakag; Malaybalay City and Barangay Lilingayon in the City of Valencia;

2. That the **Applicant** pursuant to ERC Resolution No. 26, series of 2009 seeks the review and approval of the Honourable Commission for the following proposed capital projects, their justifications and corresponding estimated costs:

CAPEX Projects	2017	2018	2019	TOTAL
<b>A. Projects that intends to address capacity inadequacy</b>				
Construction of 9.2 km 69 kV Line from Damilag to Laturan and Installation of 10 MVA Substation at Laturan, Libona	98,786,406.04			98,786,406.04
Installation of Additional 10 MVA Power Transformer at Damilag Substation and Construction of 1.845 km 34.5 kV Line	49,166,403.00			49,166,403.00
Construction of 7.923 km 69 kV Line from Casisang to Kalasungay and Installation of 10 MVA Substation at Kalasungay, Malaybalay City	94,726,652.88			94,726,652.88
Installation of 10 MVA Additional Capacity at Lunocan Substation			41,439,944.05	41,439,944.05
Member-Consumer-Owner Requests for Line Rehabilitation and Expansion	78,601,100a.95	112,597,551.33	81,164,415.92	272,363,068.20
Construction of 1.5 km 69kV line from Bliss to Lingi-on			7,583,463.35	7,583,463.35
<b>B. Projects that intends to improve safety</b>				
PDC and PGC Compliance (Required Equipment)	12,179,310.00			12,179,310.00
Replacement of Dilapidated Poles	15,850,875.62	14,549,881.88	14,560,662.11	44,961,419.61
<b>C. Project that intends to reduce system's loss</b>				
Relocation of Service Entrance, kW-hr Meters and Service Drops of Residential Customers	831,346.25	831,346.25	831,346.25	2,494,038.75
<b>D. Other Network Projects</b>				
Primary Metering of 54 Industrial Customers	12,266,866.47	1,630,588.57	-	13,897,455.04
Procurement of Service Drop Wires	4,450,953.60	5,065,952.40	5,742,783.60	15,259,689.60
Procurement of kWh Meters	18,217,659.00	20,994,711.00	23,736,231.30	62,948,601.30
Procurement of	19,763,305.80	20,396,766.60	21,406,505.40	61,566,577.80

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Distribution Transformer				
Replacement of defective kWh meters	17,201,336.79	11,578,076.50	11,578,076.50	40,357,489.79
<b>E. Non-network Projects</b>				
Vehicle Augmentation Project	26,467,776.00	19,176,000.00	19,176,000.00	64,819,776.00
Safety Equipment and Gadgets	22,661,075.61	1,548,933.04	5,154,678.23	29,364,686.87
Distribution Asset Labelling	15,940,662.87	-	-	15,940,662.87
Lot Acquisition	15,300,000.00	5,100,000.00	-	20,400,000.00
Building Improvements	-	18,633,171.48	-	18,633,171.48
SCADA and Integration Automation Projects	91,417,808.42	8,308,697.91	22,444,000.88	122,170,507.20
Electronics and Communications Automation Project	12,144,899.28	510,000.00	4,386,000.00	17,040,899.28

3. That Applicant intends to finance the above mentioned capital projects partly by internally generated source through the Reinvestment Fund for Sustainable Capital Expenditure (RFSC), and part of the fund shall be sourced through a financing program from the National Electrification Administration (NEA), which for purposes of applying for authority to secure such loan, Applicant reiterates and incorporates herein all the foregoing allegations;

4. That the implementation of the proposed Capital Projects shall bring forth an indicative rate impact as follows;

***Indicative effect on the existing RFSC rate of BUSECO if no loans availed***

	2016	2017	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	145,274,762.00	156,721,230.00	169,278,471.00	182,967,776.00	197,804,866.00	213,801,681.00	1,065,848,786.00
Cash balance beginning, PhP, excess/(shortfall)	55,411,839.54	(95,642,644.76)	(855,525,158.06)	(829,323,799.69)	(807,962,991.12)	(807,962,991.12)	(3,341,005,745.21)
<b>CASH INFLOWS</b>							
current year collection	121,822,330.80	131,420,938.23	141,951,001.03	153,430,373.08	165,872,237.46	169,850,469.44	884,347,350.04
50% of income on leased properties							-
loan proceeds from financial institutions, PhP							-
government subsidy							-
<b>Total Cash Inflows, PhP</b>	<b>121,822,330.80</b>	<b>131,420,938.23</b>	<b>141,951,001.03</b>	<b>153,430,373.08</b>	<b>165,872,237.46</b>	<b>169,850,469.44</b>	<b>884,347,350.04</b>
Available cash for disbursement	177,234,170.34	35,778,293.48	(713,574,157.03)	(675,893,426.61)	(642,090,753.66)	(638,112,521.68)	(2,456,658,395.17)

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CASH OUTFLOWS								
	CAPEX requirement	181,931,039.52	776,024,622.56	-	-	-	-	957,955,662.08
	Rural electrification projects	-	-	-	-	-	-	-
	new amortization (new CAPEX), PhP							-
	amortization of approved CAPEX, PhP	90,945,775.58	106,983,077.30	115,749,642.66	132,069,564.51	136,950,439.52	126,270,998.75	708,969,498.33
	amortization of old debts	-	-	-	-	-	-	-
	ERC Permit Fee, PhP	-	8,295,751.67	-	-	-	-	8,295,751.67
	Total Cash Outflows, PhP	272,876,815.10	891,303,451.54	115,749,642.66	132,069,564.51	136,950,439.52	126,270,998.75	1,675,220,912.09
	Cash balance ending, PhP, excess/(shortfall)	(95,642,644.76)	(855,525,158.06)	(829,323,799.69)	(807,962,991.12)	(779,041,193.19)	(764,383,520.44)	(4,131,879,307.26)
	Excess/(shortfall) on RFSC, PhP/kWh	(0.6584)	(5.4589)	(4.8992)	(4.4159)	(3.9384)	(3.5752)	(3.8766)

***Indicative effect on the existing RFSC rate of BUSECO if loans is availed @ 6.5% interest rate for 10 years***

	2016	2017	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	145,274,762.00	156,721,230.00	169,278,471.00	182,967,776.00	197,804,866.00	213,801,681.00	1,065,848,786.00
Cash balance beginning, PhP, excess/(shortfall)	55,411,839.54	86,288,394.76	17,335,740.86	(75,389,409.52)	(209,354,189.83)	(209,354,189.83)	(335,061,814.01)
<b>CASH INFLOWS</b>							
current year collection	121,822,330.80	131,420,938.23	141,951,001.03	153,430,373.08	165,872,237.46	169,850,469.44	884,347,350.04
50% of income on leased properties							-
loan proceeds from financial institutions, PhP	181,931,039.52	776,024,622.56	240,921,676.96	259,204,107.60			1,458,081,446.64
government subsidy							-
Total Cash Inflows, PhP	303,753,370.31	907,445,560.80	382,872,677.99	412,634,480.68	165,872,237.46	169,850,469.44	2,342,428,796.68
Available cash for disbursement	359,165,209.85	993,733,955.56	400,208,418.85	337,245,071.16	(43,481,952.37)	(39,503,720.39)	2,007,366,982.67
<b>CASH OUTFLOWS</b>							
CAPEX requirement	181,931,039.52	776,024,622.56	240,921,676.96	259,204,107.60			1,458,081,446.64
Rural electrification projects	-	-	-	-	-	-	-

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new amortization (new CAPEX), PhP	-	85,094,763.16	118,926,508.75	155,325,588.88	155,325,588.88	155,325,588.88	669,998,038.54
amortization of approved CAPEX, PhP	90,945,775.58	106,983,077.30	115,749,642.66	132,069,564.51	136,950,439.52	126,270,998.75	708,969,498.33
amortization of old debts	-	-	-	-	-	-	-
ERC Permit Fee, PhP	-	8,295,751.67	-	-	-	-	8,295,751.67
Total Cash Outflows, PhP	272,876,815.10	976,398,214.70	475,597,828.37	546,599,260.99	292,276,028.40	281,596,587.63	2,845,344,735.19
Cash balance ending, PhP, excess/(shortfall)	86,288,394.76	17,335,740.86	(75,389,409.52)	(209,354,189.83)	(335,757,980.77)	(321,100,308.02)	(837,977,752.52)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	0.5940	0.1106	(0.4454)	(1.1442)	(1.6974)	(1.5019)	<b>(0.7862)</b>

5. That consistent with the requirement of the filing of applications for approval of capital projects, Applicant attaches and makes as an integral part of this application further justifications, related and indispensable documents chronologically arranged and contained in Annex "B" hereof;

6. That finding the proposed capital expenditure projects reasonable, appropriate, necessary and beneficial to the consumers, it being envisioned to further their interests; there being no adverse effects on their implementation, but may result to service decline if not achieved and implemented on the periods they are projected to occur, the Board of Directors of the Applicant passed Resolution No. 16-073 series of 2016 approving the proposed CAPEX, copy of which is attached hereto as Annex "C";

7. That the Applicant, 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 to the Legislative Body of the Municipality of Manolo Fortich, Bukidnon where Applicant principally operates and the Legislative Body of the Province of Bukidnon. Likewise, the Application was published in Mindanao Gold Star Daily, a newspaper of general circulation within the franchise area of the Applicant.

8. As proof of such compliance are the certifications issued by the Secretaries of the Legislative Bodies of the Local Government Units concerned as Annexes "D" and "E", respectively. Likewise, attached herewith as Annexes "F" and "G" are the Affidavit of Publication executed by the General Manager of Mindanao Gold Star daily and the copy of April 29, 2016 issue containing the published Application.

**WHEREFORE**, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing, to approve the aforementioned capital projects of the Applicant.

It is further prayed, that while the application may not yet be heard or is pending evaluation by the Honorable Commission, to provisionally approve the capital projects intended for 2017-2019 in order that Applicant's power distribution, the quality of power and reliability of distributed power supply will not be adversely affected.

Finding the said Application sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **13 July 2016 (Wednesday) at ten o'clock in the morning (10:00 A.M.) at the BUSECO's Principal Office in Manolo Fortich, Bukidnon.**

BUSECO 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 their 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 the franchise area of BUSECO, 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 Provincial Governor, the City and Municipal Mayors, the Barangay Chairman, and the Local Government Unit (LGU) Legislative Bodies within BUSECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

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BUSECO 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.

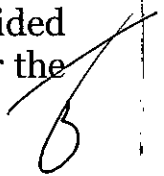
On the date of the initial hearing and Pre-trial Conference, BUSECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, Barangay Chairman, and LGU Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editors or Business Managers of the newspapers where 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.

BUSECO 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 BUSECO 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, BUSECO must also be prepared to make an Expository Presentation of its Application, aided by whatever communication medium 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.

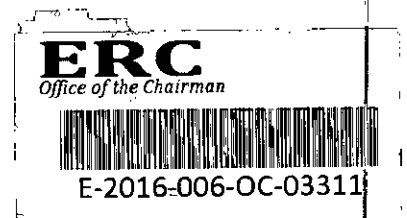
**SO ORDERED.**

Pasig City, 03 June 2016.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

LS:   
ARC/ICG/APV

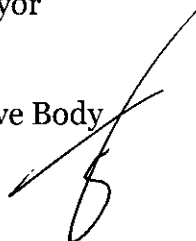


Copy furnished:

1. Atty. Eleuterio F. Diao IV  
*Counsel for Applicant BUSECO*  
Corner Arch Hayes Ext and Lim Ket Kai Drive  
Macajalar, Camaman-an, Cagayan de Oro City
2. Bukidnon Second Electric Cooperative, Inc. (BUSECO)  
Manolo Fortich, Bukidnon
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
4. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard  
Pasay City, Metro Manila



6. House Committee on Energy  
Batasan Hills  
Quezon City, Metro Manila
7. President  
Philippine Chamber of Commerce and Industry (PCCI)  
McKinley Hill, Fort Bonifacio  
Taguig
8. National Electrification Administration (NEA)  
NIA Road, Diliman  
Quezon City
9. Office of the Provincial Governor  
Province of Bukidnon
10. Office of the LGU Legislative Body  
Province of Bukidnon
11. Office of the City Mayor  
Malaybalay, Bukidnon
12. Office of the LGU Legislative Body  
Malaybalay, Bukidnon
13. Office of the City Mayor  
Valencia, Bukidnon
14. Office of the LGU Legislative Body  
Valencia, Bukidnon
15. Office of the Municipal Mayor  
Malitbog, Bukidnon
16. Office of the LGU Legislative Body  
Malitbog, Bukidnon
17. Office of the Municipal Mayor  
Baungon, Bukidnon
18. Office of the LGU Legislative Body  
Baungon, Bukidnon
19. Office of the Municipal Mayor  
Talakag, Bukidnon
20. Office of the LGU Legislative Body  
Talakag, Bukidnon
21. Office of the Municipal Mayor  
Cabanglasan, Bukidnon
22. Office of the LGU Legislative Body  
Cabanglasan, Bukidnon



23. Office of the Municipal Mayor  
Impasug-ong, Bukidnon
24. Office of the LGU Legislative Body  
Impasug-ong, Bukidnon
25. Office of the Municipal Mayor  
Libona, Bukidnon
26. Office of the LGU Legislative Body  
Libona, Bukidnon
27. Office of the Municipal Mayor  
Manolo Fortich, Bukidnon
28. Office of the LGU Legislative Body  
Manolo Fortich, Bukidnon
29. Office of the Municipal Mayor  
Sumilao, Bukidnon
30. Office of the LGU Legislative Body  
Sumilao, Bukidnon
31. Office of the Municipal Mayor  
Lantapan, Bukidnon
32. Office of the LGU Legislative Body  
Lantapan, Bukidnon
33. Office of the Barangay Chairman  
Lilingayon, Valencia City, Bukidnon
34. Office of the LGU Legislative Body  
Lilingayon, Valencia City, Bukidnon
35. Regulatory Operations Service  
Energy Regulatory Commission (ERC)  
Pacific Center Building  
San Miguel Avenue, Pasig City

