

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF
CONTINGENCY CAPITAL
EXPENDITURE PROJECT**

ERC Case No. 2018-028 RC

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

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Promulgated:

MAY 24 2019

ORDER

On 26 April 2018, Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an *Application* dated 23 April 2018, seeking the approval of its contingency capital expenditure project.

In its *Application*, BUSECO alleged, among others, 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 OIC-General Manager, Melchie R. Nacalaban, LLB, whose authority is attached in the Application 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 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 consideration and approval of the Honorable Commission of BUSECO's proposed contingency capital expenditure project, the construction of the Northern Mindanao Wellness and Reintegration Center 13.8 kV 3 Phase Line;

CAUSE OF ACTION

3. BUSECO received a letter addressed to the OIC-General Manager, dated January 27, 2018, formally requesting for an immediate supply of a 3 phase power for the Northern Mindanao Wellness and Reintegration Center. It is a joint endeavor of the Philippine government and funded by its partners from UAA Kinming Group (Friends of the Philippines Foundation), a private developer and a philanthropic institution, to be turned over to the Department of Health (DOH) upon completion of the construction.

PROJECT TITLE

4. Northern Mindanao Wellness and Reintegration Center Contingency CAPEX;

PROJECT DESCRIPTION

5. Construction of 2.93 km 13.8 kV 3 Phase line from Sumpong, Malaybalay City to Northern Mindanao Wellness and Reintegration Center, Purok 17, Brgy. Casisang, Malaybalay City

JUSTIFICATION OR BENEFITS TO BE DELIVERED

6. The implementation of the project shall give way for the provision of a reliable and viable electric service for the day-to-day requirements of the said government facility, which will be beneficial for the people of the Province of Bukidnon and its neighboring provinces.

ESTIMATED PROJECT COST

7. The estimated project cost of the project is Five Million Five Hundred Forty-Six Thousand Two Hundred Eighty-Five Pesos and Seventy-Four Centavos (Php 5,546,285.74);

PROJECT SCHEDULE

8. The project implementation started last February 27, 2018 and was successfully completed last March 22, 2018;

PROJECT FINANCING

9. The funding for the project was sourced through the Reinvestment Fund for Sustainable CAPEX (RFSC) in the amount of Five Million Five Hundred Forty-Six Thousand Two Hundred Eighty-Five Pesos and Seventy-Four Centavos (Php 5,546,285.74);

RATE IMPACT

10. The implementation of the proposed Contingency Capital Expenditure Project shall bring forth an indicative rate impact as follows;

	2018	2019	2020	2021	2022	TOTAL
Forecasted energy sales, kWh	168,055,903.61	174,519,592.21	180,983,280.81	187,446,969.41	193,910,658.01	1,066,508,619.07
Cash balance beginning, PhP, excess/(shortfall)	30,681,326.91	18,813,658.62	(9,121,064.92)	(66,051,214.71)	(109,228,522.76)	(18,634,014.20)
CASH INFLOWS						
current year collection	150,146,185.96	155,921,039.27	161,695,892.58	167,470,745.88	173,245,599.19	956,656,149.28
50% of income on leased properties	399,218.50	399,218.50	399,218.50	399,218.50	399,218.50	2,395,311.00
loan proceeds from financial institutions, PhP	530,936,593.51	240,921,676.96	259,204,107.59	-	-	1,031,062,378.06
Total Cash Inflows, PhP	681,481,997.97	397,241,934.73	421,299,218.67	167,869,964.38	173,644,817.69	1,990,113,838.34
Available cash for disbursement	712,163,324.88	416,055,593.35	412,178,153.74	101,818,749.67	64,416,294.92	1,971,479,824.14
CASH OUTFLOWS						
CAPEX requirement (Regular CAPEX)	525,390,307.77	240,921,676.96	259,204,107.59	-	-	1,189,580,919.53
CAPEX requirement (Contingency CAPEX)	5,546,285.74	-	-	-	-	5,546,285.74
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	69,060,807.92	65,328,472.56	63,699,671.99	55,721,683.56	40,959,176.04	364,871,365.52
amortization of old debts	-	-	-	-	-	-
ERC Permit Fee, PhP	8,257,501.67	-	-	-	-	8,257,501.67
Total Cash Outflows, PhP	693,349,666.26	425,176,658.27	478,229,368.46	211,047,272.43	196,284,764.92	2,238,254,111.00
Cash balance ending, PhP, excess/(shortfall)	18,813,658.62	(9,121,064.92)	(66,051,214.71)	(109,228,522.76)	(131,868,469.99)	(266,774,286.86)

Excess/(shortfall) on RFSC, PhP/kWh	0.1119	(0.0523)	(0.3650)	(0.5827)	(0.6800)	(0.2501)
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COMPLIANCE WITH THE PRE-FILING REQUIREMENTS

11. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure and other documentary requirements of the instant application, the Applicant made integral parts herewith the following documents and its proper markings;

Annex	Document
"A"	Verification and Non Forum Shopping Certificates
"B"	BUSECO Board Resolution approving the implementation of the construction of the Northern Mindanao Wellness and Reintegration Center 3-phase line project as Contingency Capital Expenditure of Bukidnon Second Electric Cooperative, Inc. (BUSECO)
"C"	BUSECO Board Resolution authorizing the board president, Fr. Danilo T. Paciente and/or the OIC-General Manager, Melchie R. Nacalaban to stand as representative to file application for approval of the implementation of the construction of the Northern Mindanao Wellness and Reintegration Center 3-phase line project as Contingency Capital Expenditure of Bukidnon Second Electric Cooperative, Inc. (BUSECO) with the Energy Regulatory Commission (ERC) and to sign Verification And Non-Forum Shopping portion of the application and to sign and execute pertinent documents thereof
"D"	BUSECO Board Resolution authorizing BUSECO Legal Counsel Atty. Eleuterio F. Diao IV, to represent BUSECO in the filing of application, expository presentation, jurisdictional and evidentiary hearing, public consultations and other proceedings relative with the BUSECO application for the implementation of the construction of the Northern Mindanao Wellness and Reintegration Center 3-Phase line project as Contingency Capital Expenditure of Bukidnon Second Electric Cooperative, Inc. (BUSECO) with the Energy Regulatory Commission (ERC)
"E"	Proof of furnishing the legislative bodies of Bukidnon where BUSECO operates with the copies of the Application together with all its annexes and accompanying documents
"F"	Proof of posting a copy of the Application within the premises of BUSECO

"G"	Affidavit of Publication together with a copy of the Mindanao Gold Star Daily April 25, 2018 issue, where the Application was published for general information
"H"	Project Summary

PRAYER

WHEREFORE, foregoing premises considered, it is most respectfully prayed before the Honorable Commission, after due notice and hearing, to approve the aforementioned contingency capital expenditure project of the Applicant.

On 06 July 2018, the Commission issued an *Order* and a *Notice of Public Hearing*, both dated 04 July 2018, setting the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on 02 August 2018.

On 30 July 2018, BUSECO filed a *Motion for Resetting*, praying that the hearing scheduled on 02 August 2018 be cancelled and moved to next available calendar of the Commission for BUSECO to comply with the publication requirements.

In view thereof, the instant *Application* is hereby set anew for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial conference, and presentation of evidence on **11 July 2019 (Thursday) at one o'clock in the afternoon (1:00 P.M.) at BUSECO's Principal Office, Tankulan, Manolo Fortich, Bukidnon.**

BUSECO is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide 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, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within BUSECO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within BUSECO's franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* 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; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, BUSECO must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Public Hearing* were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, LGU legislative body, or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by BUSECO to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

BUSECO and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of BUSECO to comply with the above requirements 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 the said date of cancellation.


BUSECO must also be prepared to make an expository presentation of the instant *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, the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 21 May 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT

Commissioner


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Copy Furnished:

1. Atty. Eleuterio F. Diao IV
Counsel for the Applicant
1906 Bontong, Camaman-an
Cagayan de Oro City
2. Bukidnon Second Electric Cooperative, Inc. (BUSECO)
Manolo Fortich, Bukidnon
3. Office of the Solicitor General (OSG)
134 Amorsolo Street, Legaspi Village, City of Makati 1229
4. Commission on Audit (COA)
Commonwealth Avenue, Quezon City 1121
5. Senate Committee on Energy
GSIS Building, Roxas Boulevard, Pasay City 1300
6. House of Representatives Committee on Energy
Batasan Hills, Quezon City 1126
7. Office of the City Mayor
Malaybalay, Bukidnon
8. Office of the Sangguniang Panglungsod
Malaybalay, Bukidnon
9. Office of the Municipal Mayor
Manolo Fortich, Bukidnon
10. Office of the Sangguniang Bayan
Manolo Fortich, Bukidnon
11. Office of the Municipal Mayor
Libona, Bukidnon
12. Office of the Sangguniang Bayan
Libona, Bukidnon
13. Office of the Municipal Mayor
Sumilao, Bukidnon
14. Office of the Sangguniang Bayan
Sumilao, Bukidnon
15. Office of the Municipal Mayor
Cabanglasan, Bukidnon
16. Office of the Sangguniang Bayan
Cabanglasan, Bukidnon
17. Office of the Municipal Mayor
Malitbog, Bukidnon
18. Office of the Sangguniang Bayan
Malitbog, Bukidnon
19. Office of the Municipal Mayor
Baungon, Bukidnon
20. Office of the Sangguniang Bayan
Baungon, Bukidnon

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21. Office of the Municipal Mayor
Impasug-Ong, Bukidnon
22. Office of the Sangguniang Bayan
Impasug-Ong, Bukidnon
23. Office of the Municipal Mayor
Talakag, Bukidnon
24. Office of the Sangguniang Bayan
Talakag, Bukidnon
25. Office of the Municipal Mayor
Lantapan, Bukidnon
26. Office of the Sangguniang Bayan
Lantapan, Bukidnon
27. Office of the City Mayor
Valencia City
28. Office of the Sangguniang Panglungsod
Valencia City
29. Office of the Provincial Governor
Province of Bukidnon
30. Office of the Sangguniang Panlalawigan
Province of Bukidnon
31. Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP),
1030 Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
32. ERC- Regulatory Operations Service
17th Floor, Pacific Center Bldg.
San Miguel Ave., Pasig City