

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.

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DOCKETED
Date: JUN 17 2016
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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

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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 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
A. Projects that intends to address capacity inadequacy				
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. Projects that intends to improve safety				
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
C. Project that intends to reduce system's loss				
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
D. Other Network Projects				
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

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Procurement of kWh Meters	18,217,659.00	20,994,711.00	23,736,231.30	62,948,601.30
Procurement of Distribution Transformer	19,763,305.80	20,396,766.60	21,406,505.40	61,566,577.80
Replacement of defective kWh meters	17,201,336.79	11,578,076.50	11,578,076.50	40,357,489.79
E. Non-network Projects				
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)
CASH INFLOWS							
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							-
Total Cash Inflows, PhP	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

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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)
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)
CASH INFLOWS							
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
CASH OUTFLOWS							
CAPEX requirement	181,931,039.52	776,024,622.56	240,921,676.96	259,204,107.60	-	-	1,458,081,446.64

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Rural electrification projects	-	-	-	-	-	-	-
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)
Excess/(shortfall) on RFSC, PhP/kWh	0.5940	0.1106	(0.4454)	(1.1442)	(1.6974)	(1.5019)	(0.7862)

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.

The Commission has set the Application for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **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.**


All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the *ERC's Rules of Practice and Procedure*, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

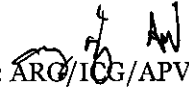
All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the Application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of

reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during standard office hours.

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 3rd day of June 2016 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


LS: ARG/ICG/APV