

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE 2017-  
2018 CAPITAL  
EXPENDITURE PROGRAM  
AND AUTHORITY TO  
CONTRACT LOANS,**

**ERC CASE NO. 2017-040 RC**

**BOHOL II ELECTRIC  
COOPERATIVE, INC.  
(BOHECO II),**

**Applicant.**

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**D O C K E T E D**  
Date: SEP 04 2017  
By: W

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 11 May 2017, Bohol II Electric Cooperative, Inc. (BOHECO II) filed an *Application* dated 07 April 2017 for the approval of its Capital Expenditure (CAPEX) projects for the year 2017 to 2018.

**BOHECO II alleged the following in its *Application*:**

1. BOHECO II is an electric cooperative duly organized and existing under Philippine law, with principal office address at Cantagay, Jagna, Bohol; franchised to construct, own, operate and maintain an electric distribution system in the municipalities of Alicia, Anda, Bien Unido, Buenavista, Candijay, Carlos P. Garcia Island, Dagohoy, Danao, Duero, Garcia Hernandez, Getafe, Gundulman, Jagna, Mabini, Pilar, San Miguel, Sierra Bullones, Talibon, Trinidad, Ubay and Valencia, all in the Province of Bohol; represented herein by its General Manager is Engr. Eugenio R. Tan.

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2. In its efforts to provide an adequate, continuous and reliable electric service to its member-consumers, in a safe and standards-compliant manner, BOHECO II proposes the following capital expenditure program for the regulatory years 2017 and 2018, more particularly described as follows:

Count	Project Code	Project Name	PROJECT COST		
			2017	2018	Total
<b>NETWORK PROJECT</b>					
1	NP-01	Additional 5MVA Substation at San Jose, Getafe + 22.71km 69KV Line and Lot Acquisition	89,134,887.82	46,799,617.92	135,934,505.74
2	NP-02	Distribution Line Relocation and Conversion from Vee-Phase to 3 Phase of 13.2kV line	8,610,873.89		8,610,873.89
3	NP-03	Replacement of Single Phase Feeder Recloser to 3 Phase Feeder Recloser	13,978,418.40	3,199,504.66	17,177,923.06
<b>OTHER NETWORK PROJECT</b>					
4	ONP-01	Acquisition of Metering Equipment and Service Drops wire for New Consumer Connections	19,483,830.90	19,713,334.96	39,197,165.86
5	<i>Requisition of Distribution System Equipment</i>				
5A	ONP-02	Acquisition of Distribution Transformers	20,040,145.96	20,641,350.34	40,681,496.30
5B	ONP-03	Replacement of defective kilowatt-hour meter	12,581,809.69	13,348,041.90	25,929,851.58
5C	ONP-04	Replacement of rotten/deteriorated Wood Poles	12,127,427.06	12,470,090.26	24,597,517.33
5D	ONP-05	Procurement of Distribution Line Equipment for Upgrading and Extension	46,163,680.02	19,160,385.91	65,324,065.93
<b>NON-NETWORK PROJECT</b>					
6	<i>Acquisition of Measuring Equipment, Tools and Gadget</i>				
6A	NNP-01	Acquisition of Laboratory Equipment	5,229,955.86	2,084,923.12	7,314,878.98
6B	NNP-02	Acquisition of Tools and Safety Gadget	1,998,735.60	1,009,679.75	3,008,415.35
6C	NNP-03	Acquisition of Substation Spare Equipment	2,854,881.90		2,854,881.90
6D	NNP-04	Acquisition of Shop Tools and Garage Equipment	3,000,000.00		3,000,000.00
7	NNP-05	Procurement of Buffer Stock Equipment for Contingency/Emergency	31,542,044.96		31,542,044.96
8	<i>Acquisition of Transportation Equipment</i>				
8A	NNP-06	Procurement of Service Vehicle for Asset Management Division	1,485,260.00		1,485,260.00
8B	NNP-07	Procurement of Boom Truck for BOHECO II Offices	13,791,700.00	28,410,902.00	42,202,602.00
8C	NNP-08	Procurement of Maintenance Vehicle	2,333,980.00	1,201,999.70	3,535,979.70
9	<i>Acquisition and Upgrading of Information System Equipment</i>				
9A	NNP-09	Acquisition of Management Information System	7,466,680.00		7,466,680.00
9B	NNP-10	Acquisition of Geographical Information System	1,552,674.32		1,552,674.32

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9C	NNP-11	Upgrading of existing basic operation Software	3,000,000.00		3,000,000.00
10	NNP-12	Automation of Cantagay Substation (SCADA Phase 1 Project)	19,467,525.61	257,009.39	19,724,535.00
		NETWORK PROJECT	111,724,180.11	49,999,122.58	161,723,302.69
		OTHER NETWORK PROJECT	110,396,893.63	85,333,203.36	195,730,097.00
		NON NETWORK PROJECT	93,723,438.25	32,964,513.95	126,687,952.20
		GRAND TOTAL	315,844,511.99	168,296,839.89	484,141,351.88

- BOHECO II plans to fund its 2017-2018 capital expenditure program wholly thru loans from the National Electrification Administration (NEA) and other financing institutions at an indicative interest rate equal to 6%.
- Simulations conducted indicate that BOHECO II's Reinvestment Fund for Sustainable Capex (RFSC) will not be enough to service its debts, to wit:

Php	Year					TOTAL
	2017	2018	2019	2020	2021	
RFSC Available cash for disbursement	56,006,154.22	46,840,598.82	17,433,599.68	(15,675,877.10)	(46,192,384.97)	224,707,733.35
LESS:						
Existing Annual RFSC Expenses	21,894,168.88	21,621,157.81	21,389,266.73	21,119,596.14	20,827,995.70	106,852,185.26
New Loans for CAPEX 2017-2018	15,056,585.47	44,748,527.33	55,444,938.04	54,946,304.56	53,781,614.55	223,977,969.95
(Deficit)/Surplus	19,055,399.87	(7,936,479.66)	(43,527,819.36)	(76,485,795.56)	(106,122,421.85)	(106,122,421.85)

- BOHECO II's ERC-approved RFSC rate of PhPo.3696 per kilowatt-hour. It needs an adjustment of Phpo.1902 per kilowatt-hour to ensure that its RSFC will be sufficient to cover all its debt service requirements, and thereby ensure its continued financial viability.

Description	2017	2018	2019	2020	2021	TOTAL
Forecasted energy sales, kWh	101,495,525	106,541,682	111,587,838	116,633,995	121,680,151	557,939,191.81
Cash balance beginning, PhP, excess/(shortfall)	18,493,408.06	7,462,793.21	(23,809,265.38)	(58,783,801.61)	(91,165,368.93)	18,493,408.06
<b>CASH INFLOWS</b>						
current year collection @PhPo.3696/kWh	37,512,746.16	39,377,805.61	41,242,865.06	43,107,924.51	44,972,983.96	206,214,325.29
loan proceeds from financial institutions, PhP	315,844,511.99	168,296,839.89				484,141,351.88
Total Cash Inflows, PhP	353,357,258.15	207,674,645.50	41,242,865.06	43,107,924.51	44,972,983.96	690,355,677.18
Available cash for disbursement	371,850,666.21	215,137,438.72	17,433,599.68	(15,675,877.10)	(46,192,384.97)	708,849,085.24
<b>CASH OUTFLOWS</b>						
CAPEX requirement	315,844,511.99	168,296,839.89				484,141,351.88

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old debt (old amortization)	21,894,168.88	21,621,157.81	21,389,266.73	21,119,596.14	20,827,995.70	106,852,185.26
new amortization (new CAPEX), PhP	12,687,751.63	43,486,301.03	55,444,938.04	54,946,304.56	53,781,614.55	220,346,909.81
ERC Permit Fee, PhP	2,368,833.84	1,262,226.30				3,631,060.14
Total Cash Outflows, PhP	352,795,266.34	234,666,525.03	76,834,204.77	76,065,900.70	74,609,610.25	814,971,507.09
Cash balance ending, PhP, excess/(shortfall)	19,055,399.87	(7,936,479.66)	(43,527,819.4)	(76,485,795.56)	(106,122,421.9)	(106,122,421.9)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	0.1877	(0.0745)	(0.3901)	(0.6558)	(0.8721)	(0.1902)

6. BOHECO II attached the following documents/worksheets in support of this application.

- a. BOHECO II Profile
- b. Historical Data
- c. Distribution Planning Perspective
- d. Economic Line Sizing and Transformer Sizing
- e. Performance Assessment of Distribution System
  - i. Forecasting
  - ii. Safety Analysis
  - iii. Capacity Analysis
  - iv. Power Quality Analysis
  - v. Reliability Analysis
  - vi. Efficiency Analysis
  - vii. Non-Network Project Assessment
  - viii. Summary of Performance assessment of the Distribution System
- f. Capital Expenditure Program
- g. Financial Plan and Indicative rate Impact
  - i. Capex Project Cost Fund Allocation
  - ii. Fund source parameter
  - iii. Reinvestment fund for sustainable CAPEX Cash Flow
  - iv. Indicative Rate Impact Analysis
  - v. Sensitivity Analysis
  - vi. Loan Summary
- h. Network Project
  - i. Additional 5MVA Substation at San Jose, Getafe, Construction of 22.71km 69kV sub-transmission line and Lot Acquisition
  - ii. Distribution Line Relocation and Conversion from Vee-Phase to 3 Phase of 13.2kV line
  - iii. Replacement of Single Phase Feeder Recloser to 3 Phase Feeder Recloser
- i. Other Network Project
  - i. Acquisition of Metering Equipment and Service Drops wire for New Consumer Connections
  - ii. Acquisition of Distribution System Equipment
- j. Network Project
  - i. Acquisition of Tools, Shop, Safety Gadget, Garage and Laboratory Equipment
  - ii. Procurement of Buffer Stock Equipment for Contingency/Emergency

- iii. Acquisition of Transportation Equipment
- iv. Acquisition and Upgrading of Information System Equipment
- v. Automation of Substation (SCADA Project – Phase 1)

PRAYER

WHEREFORE, premises considered, BOHECO II respectfully prays that after due notice and hearing, the Honorable Commission render a Decision approving BOHECO II's proposed Capital Expenditure Program for Regulatory Years 2017-2018.

BOHECO II also pray for such other relief or remedy as may be just and equitable under the circumstances.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **26 October 2017 (Thursday) at ten o'clock in the morning (10:00 A.M.) at BOHECO II's principal office at Cantagay, Jagna, Bohol.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- i. The petitioner's name and address;
- ii. 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
- iii. 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 case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. 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 the standard office hours.

**WITNESS**, the Honorable Officer-in-Charge of ERC, **ALFREDO J. NON**, and the Honorable Commissioners, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, **Energy Regulatory Commission**, this 14<sup>th</sup> day of August 2017 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*