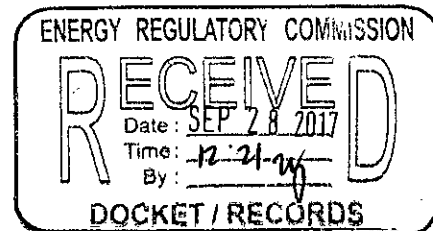


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE APPLICATION FOR THE APPROVAL OF THE EMERGENCY CAPITAL EXPENDITURE PROJECT: REPLACEMENT AND INSTALLATION OF 69/13.2 KV, 20MVA POWER TRANSFORMER AND PROTECTION ENHANCEMENT UPRATING, WITH PRAYER FOR THE ISSUANCE OF PROVISIONAL AUTHORITY



2017-087

ERC CASE NO. 2017 - ____ RC

CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II),

Applicant.

X- ----- /

APPLICATION

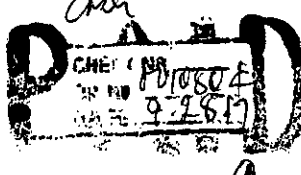
APPLICANT, Cebu II Electric Cooperative, Inc. (CEBECO II for brevity), by counsel and unto this Honorable Commission, most respectfully states:

THE APPLICANT

1. Applicant CEBECO II is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Malingin, Bogo City, Cebu, Philippines, represented herein by its General Manager, **Lowell O. Belciña**, duly authorized by virtue of Resolution No. 74, Series of 2017 dated 08 July 2017 of the Board of Directors, copy of which is attached hereto as **Annex "A"** and made an integral part hereof;

The filing of the instant Application is likewise authorized under the afore-mentioned Resolution;

2. Applicant has been granted by the National Electrification Administration (NEA) an authority to operate and distribute



electric light and power within the coverage area comprising the Cities of Danao and Bogo and the Municipalities of Borbon, Carmen, Catmon, Compostela, Daanbantayan, Medellin, San Remegio, Sogod, Tabogon, Tabuelan, and Tuburan, all in the Province of Cebu;

THE APPLICATION AND ITS PURPOSE

3. This Application is filed in compliance with ERC Resolution No. 26, Series of 2009, particularly under Article III, Section 3.4 thereof.

FACTUAL ANTECEDENTS

4. On 17 September 2016 at around 5:10 PM, CEBECO II's 10 MVA Cogon Compostela Substation Transformer serving the municipality of Compostela and some parts of the City of Danao suddenly failed to deliver power resulting to total blackout in the affected areas. Copy of the Significant Incident Report (SIR) is attached hereto as **Annex "B"** as well as the letter informing the Honorable Commission of the incident as **Annex "C"**.
5. Several tests were conducted to determine the status of the 10 MVA power transformer and found out that it is extremely damaged and needs to be replaced. Prior to the incident, the power transformer load factor was at 73.62%.
6. As a short-term measure, CEBECO II temporarily connected to the newly energized 15 MVA substation of Cebu Mitsumi, Inc. from September 18-27, 2016.
7. At the same time, CEBECO II negotiated with the National Grid Corporation of the Philippines ("NGCP") to lend the latter's 20 MVA 69/13.8kV power transformer. Subsequently, NGCP agreed to CEBECO II's request subject to applicable terms and conditions until 31 May 2017. A copy of the Letter Agreement between CEBECO II and NGCP dated 20 October 2016 is attached hereto as **Annex "D"**.
8. With the expiration of the Letter of Agreement on 31 May 2017 and the inevitable increasing demand of power in CEBECO II's franchise area specifically to the areas served by the Cogon Compostela Substation due to additional capacity application of big-load customers, which were not anticipated in the forecast of the 2016-2018 CAPEX Application, causes CEBECO II to implement the Emergency CAPEX in order to replace the

damaged transformer and accommodate the increasing demand in its franchise area.

PROPOSED EMERGENCY CAPEX PROJECT

Project Title	Replacement and Capacity Upgrading of Substation Power Transformer and Protection Enhancement Upgrading of Cogon Compostela Substation.
Project Description	This project is for the replacement of the defective power transformer from 10 MVA to 20 MVA, 69 kV – 13.2kV, 3-phase Power Transformer Off-load Tap Changer and upgrading of existing protection facility capacity from 2 Feeders to 4 Feeders. Civil works on transformer pad, AVR pad and construction of new control room.
Justifications and Benefits to be Delivered	<p>The Substation capacity for CEBECO II's Cogon, Compostela Substation 10 MVA substation was operating at a load factor of 73.62% before it failed to operate on 17 September 2016.</p> <p>CEBECO II was able to find a temporary replacement through NGCP's 20MVA Power Transformer for a period until 31 May 2017.</p> <p>However, increasing power demands brought about by the new developments in the area, which were not anticipated in the previous forecast, necessitated CEBECO II to upgrade its capacity and procure additional feeder.</p>
Project Cost	27,492,861.78
Project Schedule	Year 2017
Annexes	<p>“E” : Executive Summary of the Emergency CAPEX Project</p> <p>“E-1”: Energy Forecast</p> <p>“E-2”: Project Cost Estimates</p> <p>“E-3”: Technical and Economic Analysis</p> <p>“E-4”: Gantt Chart</p> <p>“E-5”: 10MVA Power Transformer Damage Report</p> <p>“E-6”: Other Related Data including Proposed Substation Design and Technical Specifications</p> <p>“E-7”: Procurement Details</p>

PROJECT FINANCING PLAN

- The financing of the Emergency CAPEX will be sourced from the Reinvestment Fund for Sustainable CAPEX (“RFSC”) and

through a loan from a commercial bank at 6% per annum for 10 years divided into 120 equal monthly installments; a separate application for authority to secure loan will be filed by the Applicant for the purpose.

10. Shown further is the simulation of the Applicant as to the indicative rate impact on the existing RFSC rate of CEBECO II with the implementation of the Emergency CAPEX project, to wit:

PARTICULAR	2017	2018	2019	2020	2021	TOTAL
INFLOWS						
PROJECTED SALES (MWH)	366,145	380,293	395,093	410,561	426,614	1,978,705
FUNDING SOURCE/S						
Revenue from Existing Reinvestment Fund	106,328	110,437	114,735	119,227	123,889	574,616
Forwarded RFSC (as of June 2017)	96,484	203,566	208,537	249,936	298,346	1,056,869
NEA - Loan	-	-	-	-	-	-
Loan from Banks/Others Financing	300,000	181,775	-	-	-	481,775
REFC Loan						
DOE ER-1-94						-
TOTAL	502,813	495,778	323,271	369,163	422,235	
OUTFLOWS						
CASH FOR DEBT SERVICE						
Existing Loans - NEA	-	-	-	-	-	-
Existing - Bank/Others	4,986	47,115	73,336	70,817	68,295	264,549
New Loans - NEA	-	-	-	-	-	-
New-Bank/Others	43,124	28,745				71,869
SUB - TOTAL	48,110	75,860	73,336	70,817	68,295	336,418
BALANCE AFTER DEBT SERVICE	454,702	419,918	249,936	298,346	353,940	
CAPEX PROJECTS						
NETWORK						
1.ELECTRIFICATION (Non - Subsidy)	43,402	51,589				94,991
2. SUBTRANSMISSION DEVELOPMENT	79,182	45,050				124,232
3. SUBSTATION PROJECTS	64,319					64,319
4.EMERGENCY:Cogon S/S Upgrading	27,493					27,493
5. DISTRIBUTION PROJECTS						-
a. Safety Projects						-
b. Power Quality		72,962				72,962
c. System Reliability						-
d. System Loss Reduction						-
e. Rehab/Upgrading						-
f. Reconfiguration of Primary Lines						-
g. Looping of Distribution System						-
6. CONTIGENCY PROJECT			-	-	-	-
NON - NETWORK						-
NON - NETWORK PROJECT	33,964	41,129	-	-	-	75,093
ERC CAPEX Filing Fees	2,776	651				3,427
TOTAL PROJECTS	251,136	211,381	-	-	-	462,517

BALANCE, END	203,566	208,537	249,936	298,346	353,940	353,940
RATE IMPACT COMPUTATION						
Existing Reinvestment Fund	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904
Indicative - Additional Rate	0.00	0.00	0.00	0.00	0.00	0.00
Capex Plan Cost Cash Flow Rate /kWh	0.2904	0.2904	0.2904	0.2904	0.2904	0.2904

11. The rate that will be charged after the implementation of the project has no negative impact on the current power bill of the member-consumers as indicated in the aforementioned rate simulation. This is derived from the view point that CEBECO II shall finance its CAPEX Projects including the instant Emergency CAPEX Project from the RFSC and bank financing. Consequently, CEBECO II will no longer collect additional rate from the member-consumers other than the exiting RFSC rate of PhP0.2904.

12. Considering that CEBECO II has a pending loan agreement, the proposed bank financing will be drawn in 2018 in the amount of One Hundred Seventy Nine Million Eight Hundred Ninety One Thousand Four Hundred Twenty (PhP179,891,420.00) Pesos to be applied for the following:

Applied 2016-2018 CAPEX	Php 152,398,420.00
Emergency CAPEX	Php 27,493,000.00

13. In effect, the proposed financing scheme of CEBECO II not only shows that the projected collection of RFSC is adequate to sustainably fund the CAPEX projects and the debt repayments but also aims to maintain the long-term debt and equity balance of the Cooperative to the benefit of the member-consumers.

APPLICATION FOR PROVISIONAL AUTHORITY

14. That, Applicant reiterates and incorporate the foregoing allegations in support of its application for issuance of provisional authority and further allege:

15. That, considering the expiration of the Letter Agreement with NGCP, Applicant is currently utilizing the 20MVA power transformer by accommodation in the interest of the general welfare, which accommodation may be curtailed anytime.

16. This power capacity and reliability issue needs to be immediately corrected by urgently installing the needed transformer to serve the areas of the Cogon Compostela Substation; thus, it is imperative that the emergency CAPEX

herewith applied for approval be implemented the soonest time possible.

17. Considering the length of time to resolve the instant Application, it being not the only application to be resolved by the Commission, it is only appropriate, justifiable and reasonable that a provisional authority to immediately implement and recover the cost of the project be granted;

COMPLIANCE WITH PRE-FILING REQUIREMENTS

18. 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 Applicant the Legislative Body of the City of Bogu where Applicant principally operates and the Legislative Body of the Province of Cebu. Likewise, the Application was published in a newspaper of general circulation within the franchise area of the Applicant;
19. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by an employee of the Applicant and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes "F" and "G"** respectively. Likewise attached hereto as **Annexes "H" and "I"** are the Affidavit of Publication and the newspaper issue containing the published Application;
20. 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.

PRAYER

WHEREFORE, foregoing considered, Applicant respectfully prays that the Commission:

1. Approves this Application;
2. Applicant likewise prays that pending hearing of this instant application, a provisional authority be issued allowing

CEBECO II to immediately implement and recover the cost of Emergency Capital Expenditure Project in order to deliver the continuous and reliable power supply to the affected consumers.

Finally, Applicant prays for such other reliefs just, equitable and consistent with law and pertinent rules and regulations.

Cebu City, (for Pasig City), Philippines. 18 September 2017.

A.C. GAVIOLA LAW OFFICE

Counsel for CEBECO II

Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
(032) 233-2026; acgaviola_lawoffice@gaviolalaw.com

BY:

ALAN C. GAVIOLA

PTR No. 7687775; Cebu City; Jan. 04, 2017
IBP O.R. 1059000; Cebu City; Jan. 03, 2017
Roll No. 30385
MCLE Compliance III, 0019612; Dec. 14, 2010

ALAN BYRNE S. GAVIOLA

PTR No. 7687774; Cebu City; Jan. 04, 2017
IBP O.R. 1059001; Cebu City; Jan. 03, 2017
Roll No. 62695
MCLE Compliance V – 0009261; July 27, 2015

VERIFICATION
WITH CERTIFICATION OF NON-FORUM SHOPPING

I, **LOWELL O. BELCIÑA**, of legal age, Filipino and with office address at Malingin, Bogo City, after being duly sworn in accordance with law hereby depose and say:

That I am the General Manager duly authorized by the Board of Directors to file or cause the filing of the foregoing Application;

That by virtue of said resolution, I have caused the preparation of the foregoing application; that I have read and understood all the contents thereof, and hereby state that all allegations therein made are true and correct of my own knowledge and based on authentic records; and

That CEBECO II has not commenced any action or proceedings involving the same issues before the Supreme Court, Court of Appeals, or any other tribunal or agency; that to the best of our knowledge, no such action or proceeding is pending in the Supreme Court, Court of Appeals, or any other tribunal agency; that should hereafter we learn that a similar action or proceedings has been filed or is pending before the Supreme Court, Court of Appeals, or any other Tribunal or agency, we shall undertake to report to the Honorable Commission of said fact within five (5) days from knowledge therefrom.

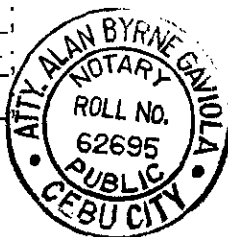
IN WITNESS WHEREOF, I have hereunto set my hand this 19 SEP 2017 day of _____ 2017 in the City of Cebu, Philippines.


LOWELL O. BELCIÑA
Affiant

19 SEP 2017

SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____ 2017, at Cebu City, Philippines. Affiant, for purposes of identification, exhibited to me his Driver's License ID No. G07-90-000251 valid until February 27, 2022.

Doc. No. 134;
Page No. 27;
Book No. III
Series of 2017.




ALAN BYRNE S. GAVIOLA
Notary Public
Notarial Commission No. 42-16
Cebu City - until December 31, 2017
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., NRA, Cebu City
PTR No. 7687774, 1-04-17, Cebu City
IBP No. 1059001, 1-03-17, Cebu City
MCLE V-0009261, 7-21-15
Roll No. 62695