

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



IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
CAPITAL EXPENDITURE
PROJECTS FOR THE YEARS
2015 TO 2017 AND
AUTHORITY TO SECURE
LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA),
WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2014-139 RC

BOHOL I ELECTRIC
COOPERATIVE, INC.
(BOHECO I),
Applicant.

x-----x

BOOKED
Date: NOV 10 2014
By: *[Signature]*

ORDER

On September 22, 2014, Bohol I Electric Cooperative, Inc. (BOHECO) filed an application for approval of its proposed capital expenditure projects for the years 2015-2017 and authority to secure loan from the National Electrification Administration (NEA), with prayer for provisional authority.

In the said application, BOHECO I alleged, among others, the following:

1. It is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at Brgy. Cabulijan, Tubigon, Bohol, represented herein by its General Manager, Engr. Dino Nicolas T. Roxas, duly authorized by virtue of Resolution No. 81-2014, Series of 2014 dated June 28, 2014, of the Board of Directors, copy of which is attached to the instant application and marked as Annex "A" and made an integral part thereof. The filing of the instant application is likewise authorized under the said Board Resolution;

2. It is the holder of an exclusive franchise issued by the National Electrification Commission (NEC), to operate an electric light and power distribution service in the municipalities of Alburquerque, Antequera, Baclayon, Balilihan, Batuan, Bilar, Calape, Carmen, Catigbian, Clarin, Corella, Cortes, Daus, Dimiao, Inabanga, Lila, Loay, Loboc, Loon, Maribojoc, Panglao, Sagbayan, San Isidro, Sevilla, Sikatuna and Tubigon Province of Bohol;

THE APPLICATION AND ITS PURPOSE

3. Pursuant to the Commission's Resolution No. 26, Series of 2009, and other pertinent rules and regulations, the instant application is filed for the approval of the following CAPEX projects;

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	Name of Project	Total Project Cost (PhP)	Year of Implementation			Funding Source
			2015	2016	2017	
1	Feeder Re-Configuration, F20, F19, F04 and Allocation of New Feeder 20A	5,564,220.63	5,564,220.63			NEA/BANK
2	3Ø Primary Line Rehab, Area Coverage, (6.0 kms. / year)	7,938,810.00	2,646,270.00	2,646,270.00	2,646,270.00	NEA/BANK
3	1Ø Primary Line Rehab, Area Coverage, (15.0 kms. / year)	11,536,719.00	3,845,573.00	3,845,573.00	3,845,573.00	NEA/BANK
4	Installation of Open Secondary, Area Coverage, (10 kms. / year)	7,018,449.00	2,339,483.00	2,339,483.00	2,339,483.00	NEA/BANK
5	Installation of Secondary Underbuilt, Area Coverage, (4.0 kms./year)	686,715.00	228,905.00	228,905.00	228,905.00	NEA/BANK
6	Replacement of 69-kV Power Circuit Breaker, Control & Transformer Monitoring Panel of Maribojoc Substation	2,500,000.00	2,500,000.00			NEA/BANK
7	Replacement of 69-kV Power Circuit Breaker, Control & Transformer Monitoring Panel of Carmen Substation	650,000.00		650,000.00		NEA/BANK
8	Replacement of 15-kV Feeder Recloser Bypass Switch of Loay Substation	750,000.00			750,000.00	NEA/BANK
9	Replacement of 69-kV Power Circuit Breaker, Control & Transformer Monitoring Panel of Maribojoc Substation	650,000.00			650,000.00	NEA/BANK
10	Yearly Forecasted Cost of Distribution Transformer	43,513,440.00	15,449,933.00	14,168,042.00	13,895,465.00	NEA/BANK
11	Yearly Forecasted Cost Service Drop Wire	15,441,550.25	5,265,698.80	5,147,585.17	5,028,266.29	NEA/BANK
12	Yearly Forecasted Cost of kWhr Meter	34,096,652.18	11,597,463.04	11,072,432.00	11,426,757.14	NEA/BANK
13	Prepaid / Postpaid AMR kWh Metering Service	10,500,000.00	3,500,000.00	3,500,000.00	3,500,000.00	NEA/BANK
14	Annual Meter Replacement Cost	11,250,000.00	3,750,000.00	3,750,000.00	3,750,000.00	NEA/BANK
15	2 - Units Maintenance Vehicle	6,000,000.00	2,000,000.00	2,000,000.00	2,000,000.00	NEA/BANK
16	1 - Unit Service Vehicle	3,600,000.00	1,200,000.00	1,200,000.00	1,200,000.00	NEA/BANK
17	1 - Unit 5 tonners Boom Truck	6,000,000.00			6,000,000.00	NEA/BANK
18	1 - Unit 20 Tonners Hydraulic Boom Truck	12,000,000.00		12,000,000.00		NEA/BANK
19	Acquisition of Servers and its needed accessories to support the I.T. Roadmap for 2015 to 2017. To enhance all I.T. services to both internal customers(co-employee) and to our paying customers	586,000.00	586,000.00			NEA/BANK

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Name of Project	Total Project Cost (Php)	Year of Implementation			Funding Source
		2015	2016	2017	
20 Acquisition of Network Routers and Switches that will support automatic routing of connection for redundancy purposes and for network protection to both incoming and outgoing network packets. To support multiple routing protocols and VLAN implementation to accomodate growing data traffic	1,547,500.00	656,000.00	750,000.00	141,500.00	NEA/BANK
21 Acquisition of Appliance Firewall for Complete and Proactive Internet Connection since we are going to launch web services for our paying customers. E.g. billing inquiries, online payments, etc.	456,000.00	456,000.00			NEA/BANK
22 Outsource development for all Information System Program	7,000,000.00	3,000,000.00	2,000,000.00	2,000,000.00	NEA/BANK
23 Construction, Installation of Repeater Station Structures and Wireless Bridges to be avail to have a redundant network. To support SCADA connections, data replications and other web services application	7,474,000.00	2,491,333.33	2,491,333.33	2,491,333.33	NEA/BANK
24 SCADA	6,000,000.00		6,000,000.00		NEA/BANK
25 Distribution Planning Software Upgrading and Maintenance	900,000.00	300,000.00	300,000.00	300,000.00	NEA/BANK
26 Administration Building (Sub-Office Area)	900,000.00	10,000,000.00			NEA/BANK
27 Administration Building Phase III	900,000.00	24,838,481.00			NEA/BANK
28 1- Infrared Thermal Scanner	900,000.00	800,000.00			NEA/BANK
29 1-Unit Winding Resistance Tester	900,000.00	300,000.00			NEA/BANK
30 1-Unit Distribution Transformer Efficiency Tester	900,000.00			1,000,000.00	NEA/BANK
31 1-Unit Three-Phase Meter Tester Standard	900,000.00	3,000,000.00			NEA/BANK
32 Consumer Initiated Primary Distribution Line	900,000.00	2,451,730.68	2,451,730.68	2,451,730.68	NEA/BANK
TOTAL PROJECT COST	209,960,056.07	108,767,091.49	76,541,354.18	65,645,283.44	

Add: Filing Fee

1,574,700.42

Total Investment Requirement

211,534,756.49

4. **CAPEX Plan.** Its CAPEX projects are discussed in detail in its Distribution Development Plan (DDP) for the years 2015 to 2017, together with other supporting documents which are attached in the instant application;
5. **Financing Plan.** Its proposed CAPEX projects will be financed through loan from the NEA. Shown below is a summary of its project financiers to be pursued together with the corresponding costs to be financed:

Financing Institution	Project Cost	2015	2016	2017
NEA	250,953,729.10	108,767,091.49	76,541,354.18	65,645,283.44

6. **Cash Flow.** Its cash flow shows that it can viably pursue and implement its proposed CAPEX projects without necessarily effecting a significant increase in its electricity rates. Shown below are the projected amounts it needs annually to cover the cost of the proposed CAPEX projects including the projected Commission's approval fee:

PARTICULARS	2015	2016	2017	TOTAL
Forecasted energy sales, kWh	127,908,133	138,020,876	147,019,990	412,948,998
Cash balance beginning, PhP, excess/(shortfall)	11,642,268	(5,896,869)	(41,460,081)	11,642,268
CASH INFLOWS				
Current year collection @PhP0.2904/kWh	37,144,522	40,081,262	42,694,605	119,920,389
50% of income on leased properties	198,279	198,279	198,279	594,837
Loan proceeds from financial institutions, PhP (NEA)	108,767,091	71,541,354	65,645,283	245,953,729
Total Cash Inflows, PhP	146,109,892	111,820,896	108,538,167	366,468,955
Available Cash for Disbursement	157,752,160	105,924,027	67,078,086	378,111,223
CASH OUTFLOWS				
CAPEX requirement	108,767,091	71,541,354	65,645,283	245,953,729
Old debt (old amortization)	38,453,146	50,180,136	58,724,342	147,357,624
New amortization (new CAPEX), PhP	15,613,037	25,088,558	38,336,482	79,038,078
ERC Permit Fee, PhP	815,753	574,060	492,340	1,882,153
Total Cash Outflows, PhP	163,649,029	147,384,108	163,198,446	474,231,583
Cash balance ending, PhP, excess/(shortfall)	(5,896,869)	(41,460,081)	(96,120,360)	(96,120,360)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0461)	(0.3004)	(0.6538)	(0.2328)

7. Shown below is the illustration of its whole CAPEX structure including its previous indebtedness incurred in financing its past CAPEX projects, outstanding as of the year 2014, and its amortization:

Financing Institution	Loan Amount to Finance CAPEX Projects	2015	2016	2017
NEA	137,820,128.51	17,426,093.91	17,883,327.97	17,883,327.97
DBP-LGUGC	186,769,000.00	18,612,984.60	23,108,115.44	27,138,318.76
DBP	77,500,095.48	2,414,067.87	9,188,692.31	13,702,694.84
Total	402,089,223.99	38,453,146.38	50,180,135.72	58,724,341.56

8. **Rate Impact.** Its proposed CAPEX plan was envisioned to have the least rate impact that will bring the most reasonable and justifiable electricity rates at the least cost of service. Shown below is the annual rate impact of its proposed CAPEX plan on its RFSC:

INDICATIVE RATE IMPACT	LOAN TERM (at 8 % Interest Rate)		
	5 yrs	8 yrs	10 yrs
if Actual Sales is 90% of forecast	0.4629	0.3333	0.2909
if Actual Sales is 95% of forecast	0.4233	0.3005	0.2603
if Actual Sales is 100% of forecast	0.3876	0.2709	0.2328
if Actual Sales is 110% of forecast	0.3260	0.2199	0.1852

9. It complied with the pre-filing requirement of the Commission;

APPLICATION FOR AUTHORITY TO SECURE LOAN

10. The implementation of the aforementioned CAPEX shall be financed by funds sourced through loan from NEA. In this connection, and for purposes of such integrated application for authority to secure loan from NEA, all allegations thereto pertaining are repleaded; and

PRAYER

11. It prays that the Commission after initial review of the instant application pending trial on the merits, a provisional authority be issued permitting it to implement the proposed projects as maybe deemed necessary and urgent under the circumstances, and after due notice and hearing, approve its capital expenditure projects. It further prays that it be allowed to include in its rate the cost of the projects as approved and actually undertaken and achieved for the purpose of recovering the cost incurred in the implementation thereof and that it be authorized to secure loan from NEA.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **December 4, 2014 (Thursday) at ten o'clock in the morning (10:00 A.M.) at the Principal Office of BOHECO I, Brgy. Cabujilan, Tubigon, Bohol.**

BOHECO I is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, 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 Governor of the Province of Bohol and the Mayors of the Municipalities within BOHECO I's franchise area for the appropriate posting thereof on their respective bulletin boards.

BOHECO I 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, BOHECO I must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the 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.

BOHECO I 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 BOHECO I 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, BOHECO I must also be prepared to make an expository presentation of its 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, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, November 5, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson *for*


LBB/NJS

Copy Furnished:

- 1. Atty. Elmer Salus B. Pozon**
Counsel for BOHECO I
Brgy. Cabujilan, Tubigon, Bohol
- 2. BOHOL I ELECTRIC COOPERATIVE, INC. (BOHECO I)**
Brgy. Cabujilan, Tubigon, Bohol
- 3. The Office of the Solicitor General**
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
- 3. The Commission on Audit**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
- 4. The Senate Committee on Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
- 5. The House Committee on Energy**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
- 6. Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
- 7. Office of the Provincial Governor**
Province of Bohol
- 8. Office of the Municipal Mayor**
Alburquerque, Bohol
- 9. Office of the Municipal Mayor**
Antequera, Bohol
- 10. Office of the Municipal Mayor**
Baclayon, Bohol
- 11. Office of the Municipal Mayor**
Balilihan, Bohol
- 12. Office of the Municipal Mayor**
Batuan, Bohol
- 13. Office of the Municipal Mayor**
Bilar, Bohol
- 14. Office of the Municipal Mayor**
Calape, Bohol
- 15. Office of the Municipal Mayor**
Carmen, Bohol

16. **Office of the Municipal Mayor**
Catigbian, Bohol
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Clarin, Bohol
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Corella, Bohol
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Cortes, Bohol
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Daus, Bohol
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Dimiao, Bohol
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Inabanga, Bohol
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Loboc, Bohol
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Panglao, Bohol
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San Isidro, Bohol
31. **Office of the Municipal Mayor**
Sevilla, Bohol
32. **Office of the Municipal Mayor**
Sikatuna, Bohol
33. **Office of the Municipal Mayor**
Tubigon, Bohol