

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.

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DOCKED
Date: NOV 10 2014
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that 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, Dausi, 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

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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.

The Commission has set the application 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.**

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 may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The

applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 5th day of November, 2014 at Pasig City.



ATTY. NOEL J. SALVANERA
Director III, Legal Services