

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



IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF THE  
PROPOSED THREE (3) YEAR  
CAPITAL EXPENDITURE  
PROJECTS

ERC CASE NO. 2015-100 RC

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

Applicant.

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DOCKETED  
Date: OCT 20 2015  
By: *la*

**ORDER**

On May 20, 2015, Cebu II Electric Cooperative, Inc. (CEBECO II) filed an application for the approval of its proposed three (3) year capital expenditure projects.

In the said application, CEBECO II alleged, among others, the following:

1. 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 by its General Manager, Lowell O. Belcina, duly authorized by virtue of Resolution No. 50, Series of 2015 dated April 11, 2015 of the Board of Directors, a copy of which is attached to the application as annex "A".

The filing of the said application is likewise authorized under the afore-mentioned Resolution;

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2. CEBECO II 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 Bogu 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 (A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects) adopted pursuant to the mandate of Section 43 of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, which categorically provides that all capital expenditure projects (CAPEX) shall be submitted to and for the approval of the Commission prior to its implementation, in relation to ERC Resolution No. 20, Series of 2011 which sets the timelines for the filing of the application;
4. The aforementioned amended rules were issued by the Commission to ensure that the projects are timely, appropriate, necessary and cost efficient; to ensure that the proposed capital projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippine Distribution Code (PDC), and other relevant government issuances; and to ensure that the procurement of equipment, materials and services are transparent, competitive and compliant with the applicable laws and regulations;

### THE PROJECTS

5. In accordance with the Amended CAPEX Rules, consistent with the Distribution Development Plan and the Philippine Distribution Code, CEBECO II shall acquire, construct and implement the following three (3) year capital expenditure projects with a total approximate cost of **Four Hundred Eighty-Two Million One Hundred Sixty-Two Thousand Three Hundred Ten and 15/100 Pesos (PhP482,162,310.15)**;



## 5.1. DESCRIPTION OF THE PROJECTS:

### 5.1.1 Network CAPEX Projects

#### Capacity Capital Projects

PROJECT CODE	PROJECT DESCRIPTION	AMOUNT PER YEAR OF IMPLEMENTATION (P'000)			TOTAL COST (P'000)
		2016	2017	2018	
NTLP-001	69 kv TL -DC Canamucan to Dungu-an (12.118 KM)	-	58,432.03	-	58,432.03
NTLP-002	69 kv TL From Buac Bogo to Lapurisima (4.056 KM)	-	-	19,489.98	19,489.98
NTLP-003	69 kv TL for Danao new SS (0.165 Km)	-	1,260.30	-	1,260.30
NPSP-001	10 MVA Danao Power SS	-	32,159.59	-	32,159.59
NPSP-002	10 MVA Bogo Power SS	-	-	32,159.59	32,159.59
ONDT-002	Transformer Load Management	2,359.50	2,359.50	2,359.50	7,078.50
<b>Total Cost (P'000)</b>		2,359.50	94,211.42	54,009.07	150,579.98

#### Power Quality and Reliability Capital Projects

NPSP-015	Installation of 333 KVA AVR Lanao SS	4,402.00	-	-	4,402.00
NPSP-016	Installation of 333 KVA AVR Damolog SS	-	4,402.00	-	4,402.00
NPSP-006	Spare Protection System	3,199.50	-	-	3,199.50
NPSP-007	Spare SS Equipment	4,234.34	-	-	4,234.34
NPSP-008	Refurbishment Lugo SS Eqmt.protection Upgrading	-	7,740.84	-	7,740.84
NPSP-009	Refurbishment Luy-A SS Eqmt.protection Upgrading	-	7,740.84	-	7,740.84
NPSP-010	Refurbishment Guinsay SS Eqmt.protection Upgrading	-	-	7,740.84	7,740.84
NPSP-011	69 KV Tie-Line Breaker Carmen	9,571.33	-	-	9,571.33
NPSP-012	69 KV Tie-Line Breaker Lugo	-	16,099.28	-	16,099.28
NPSP-013	69 KV Tie-Line Breaker Luy-A	-	-	16,099.28	16,099.28
<b>Total Cost (P'000)</b>		21,407.17	35,982.97	23,840.12	81,230.27

### 5.1.2 Other Network CAPEX Projects

#### Sub-transmission Development

ONTLP-005	TRANSCO Asset Acquisition 69 KV TL Compostela to Consolacion	7,108.94	-	-	7,108.94
ONPSP-003	TRANSCO Asset Acquisition 5MVA Logo	6,044.00	-	-	6,044.00
ONPSP-004	TRANSCO Asset Acquisition 5MVA Luy-A	7,384.98	-	-	7,384.98
ONPSP-005	TRANSCO Asset Acquisition 10MVA Guinsay	24,511.83	-	-	24,511.83
<b>Total Cost (P'000)</b>		45,049.74	-	-	45,049.74

#### RE (Non-Subsidy)

ONDLP-001	System Uprating	14,352.09	14,352.09	14,352.09	43,056.27
ONDLP-002	Distribution Line Expansion	12,130.61	12,130.61	12,130.61	36,391.82
ONDLP-001	Additional Transformer for line Expansion	2,951.50	2,951.50	2,951.50	8,854.50
<b>Total Cost (P'000)</b>		29,434.20	29,434.20	29,434.20	88,302.59

#### Metering/SDW

ONMRP-01	New Service Connection Meter	7,106.88	7,106.88	7,106.88	21,320.65
ONMRP-02	SDW new service connection	4,448.47	4,448.47	4,448.47	13,345.41
<b>Total Cost (P'000)</b>		11,555.35	11,555.35	11,555.35	34,666.06

### 5.1.3 Non - Network CAPEX Projects

#### Land Acquisition

NNLAP-001	Borbon Action Center	2,000.00	-	-	2,000.00
NNLAP-002	Danao Substation Project Procurement of Lot (500 Sq. Mtr.)	-	3,000.00	-	3,000.00
NNLAP-003	Bogo Substation Project Procurement of Lot (500 Sq. Mtr.)	-	-	2,000.00	2,000.00
<b>Total Cost (P'000)</b>		2,000.00	3,000.00	2,000.00	7,000.00

#### Facility Development/Office Improvement

NNFDP-001	Main Office Perimeter Fence	-	3,431.60	-	3,431.60
NNFDP-002	Main & Danao Office Motorpool Bldg. Const.	4,975.86	-	-	4,975.86
NNFDP-003	Motorpool State of the Art Equipment	923.82	-	-	923.82
NNFDP-004	Covered Court	-	-	9,797.50	9,797.50
NNFDP-005	Refurbishment of Area Offices/Action Centers	900.00	-	-	900.00
NNFDP-006	Main Office and DAO Parking Area (Consumer/Employee)	660.93	-	-	660.93
NNFDP-007	Landscaping of Main & Area Offices/Action Centers	-	736.03	-	736.03
NNFDP-008	Main Office and DAO Parking Area (Coop Vehicle)	-	535.96	-	535.96
NNFIP-001	Main Office / Action Center Furniture	500.00	500.00	500.00	1,500.00
<b>Total Cost (P'000)</b>		7,960.61	5,203.58	10,297.50	23,461.69

### Mobilization and Automation Improvement

NNMIP-001	Vehicle 4-W Procurement	6,618.00	3,756.00	-	10,374.00
NNMIP-002	Vehicle Motorcycle Procurement	799.99	-	-	799.99
NNMIP-003	Vehicle 6-W Procurement	-	11,550.00	1,250.00	12,800.00
NNITP - 001	Information Technology Project	3,389.62	3,389.62	3,389.62	10,168.87
<b>Total Cost (P'000)</b>		10,807.61	18,695.62	4,639.62	34,142.86

### Testing Equipment

NNTEAP-001	Testing Equipment Acquisition Project	11,013.22	1,065.90	5,650.00	17,729.12
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### Summary of Projects

ITEM	PROJECT	AMOUNT PER YEAR OF IMPLEMENTATION (P'000)			TOTAL COST (P'000)
		2016	2017	2018	
5.1.1	Network Projects	23,766.67	130,194.38	77,849.19	<b>231,810.25</b>
5.1.2	Other Network Projects	86,039.29	40,989.55	40,989.55	<b>168,018.39</b>
5.1.3	Non-Network Projects	31,781.44	27,965.11	22,587.12	<b>82,333.67</b>
<b>Grand Total</b>		<b>141,587.41</b>	<b>199,149.04</b>	<b>141,425.86</b>	<b>482,162.31</b>

### JUSTIFICATION OF THE CAPITAL PROJECTS

6. With the prevailing situation in the electric power industry vis-à-vis the consumers' demand, CEBECO II deems appropriate to embark on asset development and expansion in order to meet the growing demands;
7. The procurement of the aforementioned projects is of great necessity in the schedules herein provided, otherwise

service decline is eminent, to the prejudice of the consumers;

8. If a Force Majeure or Fortuitous event, as the case may be, occurs, CEBECO II shall seek the ERC's confirmation of the implementation of the capital projects arising from such event;

**RELATED AND INDISPENSABLE**  
**DOCUMENTS**

9. Consistent with the requirement of the filing of applications for approval of capital projects, CEBECO II attached and made an integral part of the instant application the justifications, related and indispensable documents chronologically arranged and contained in Annex "B" of the same;

**BOARD APPROVAL**  
**OF THE PROPOSED PROJECTS**

10. 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 its implementation, CEBECO II's Board of Directors passed Resolution No. 49, Series of 2015 dated April 11, 2015 approving the proposed CAPEX, a copy of which is attached to the application as Annex "C";
11. Information on the proposed capital projects had been widely disseminated through posting in the conspicuous places in the Cities of Danao and Bogo and the Municipalities of Borbon, Carmen, Catmon, Compostela, Daanbantayan, Medellin, San Remegio, Sogod, Tabogon, Tabuelan, and Tuburan as certified to by Maria Melagrosa F. Zaragoza, CEBECO II's employee tasked to undertake such dissemination, a copy of which is attached to the application as annex "D". The Notices posted in the areas aforementioned specifically contained the following:



- a. the proposed projects;
- b. the reasons for proposing said projects;
- c. the source of fund for the said projects; and
- d. indicative rate impact of the said projects;

**SOURCES OF FUNDS FOR THE PROJECTS**

12. In the implementation of the proposed projects, it shall partly utilize its internally generated funds out of the Reinvestment Fund For Sustainable Capital Expenditures (RFSC), and part of the fund shall be sourced through a financing program from the interested lender that shall charge the least interest. A separate application for authority to secure loan shall be filed with the Commission;

13. The implementation of the proposed CAPEX shall bring forth an indicative rate impact as follows:

**Sources of Funds**

Amounts in PhP '000

Particulars	2016	2017	2018	Total
RFSC	98,108.49	111,244.53	115,774.56	325,127.58
Loan	-	96,300.39	56,098.03	152,398.42
<b>Total</b>	<b>98,108.49</b>	<b>207,544.92</b>	<b>171,872.60</b>	<b>477,526.00</b>

**Fund Requirement**

Amounts in PhP '000

Particulars	2016	2017	2018	Total
CAPEX Projects	141,587.41	199,149.04	141,425.86	482,162.31
Amortizations (both existing and new)	15,800.01	28,504.35	35,892.85	80,197.21
CAPEX Approval Fees	1,100.46	1,532.17	1,099.25	3,731.89
<b>Total</b>	<b>158,487.88</b>	<b>229,185.57</b>	<b>178,417.96</b>	<b>566,091.41</b>

**Projected Revenue from RFSC**

Amounts in PhP '000

Particulars	2016	2017	2018	Total
Projected mWh Sales	337,839	383,073	398,673	1,119,585
Existing RFSC Rate	0.2904	0.2904	0.2904	
<b>Total</b>	<b>98,108.49</b>	<b>111,244.53</b>	<b>115,774.56</b>	<b>325,127.58</b>



**Estimated Cash Flow**

Particulars	Amounts in PhP '000			
	2016	2017	2018	Total
CAPEX Projects	141,587.41	199,149.04	141,425.86	482,162.31
Amortizations	15,800.01	28,504.35	35,892.85	80,197.21
CAPEX Approval Fees	1,100.46	1,532.17	1,099.25	3,731.89
<b>Total Outflow</b>	<b>158,487.88</b>	<b>229,185.57</b>	<b>178,417.96</b>	<b>566,091.41</b>
Projected Revenue from RFSC	98,108.49	111,244.53	115,774.56	325,127.58
RFSC Balance from preceding year	82,415.14	22,035.74	395.09	82,415.14
Loan Proceeds	-	96,300.39	56,098.03	152,398.42
<b>Total Inflow</b>	<b>180,523.62</b>	<b>229,580.66</b>	<b>172,267.68</b>	<b>559,941.14</b>
<b>Net Cash Flow</b>	<b>22,035.74</b>	<b>395.09</b>	<b>(6,150.27)</b>	<b>(6,150.27)</b>

**Indicative Rate Impact**

Particulars	Amounts in PhP '000
Cash deficit at end of third year based on existing RFSC rate	6,150.27
Projected mWh Sales in three years	1,119,585.34
Rate Increase	0.0055

**COMPLIANCE**  
**WITH PRE-FILING REQUIREMENTS**

14. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of the instant application together with all its annexes and accompanying documents had been furnished to the Legislative Body of the City of Bogu, Cebu where it principally operates and the Legislative Body of the Province of Cebu. Likewise, the same was published in The Freeman, a newspaper of general circulation within its franchise area;
  
15. As proof of such compliances is the Affidavit of Service executed by Romeo S. Torrizo Jr., an associate under the Office of the General Manager, and the first page of the instant application bearing the stamp "RECEIVED", attached as Annex "E", "F" and "G" to said application. Likewise, a copy of the said application was published in the Freeman, a newspaper of general circulation in CEBECO II's franchise area and the Province of Cebu, as evidenced by the Affidavit of Publication executed by the



Editor, and original copy of the issue showing the published application, copies of which are attached to the application as Annexes "H" and "I", respectively;

16. Moreover, prior to the filing of this application, a pre-filing conference with the concerned staff of the Commission was conducted on April 23, 2015 pursuant to Section 4 of Rule 6, and for purposes of determining completeness of the supporting documents attached to it; and

### PRAYER

17. CEBECO II prays that the Commission:
  - a. After due notice and hearing, approve and declare the capital projects/expenditures subject of its application as just, reasonable, and equitable pursuant to the provisions of ERC Resolution No. 26, Series of 2009, and other related laws, rules and regulations; and
  - b. Allow/ authorize the recovery of its expenditures/costs incurred in the implementation of the Capital Expenditure Projects from its members-consumers.

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 **November 26, 2015 (Thursday) at ten o'clock in the morning (10:00 A.M.) at the Principal Office of CEBECO II, Malingin, Bogo City, Cebu.**

CEBECO II 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 Cebu and the Mayors of the Cities/Municipalities within CEBECO II's franchise area for the appropriate posting thereof on their respective bulletin boards.

CEBECO II 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, CEBECO II 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.

CEBECO II 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 CEBECO II 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.

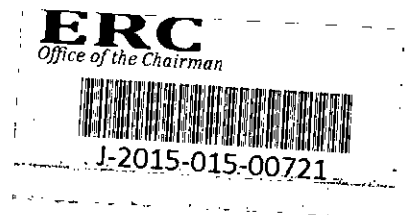
As part of the pre-trial conference, CEBECO II must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, October 12, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
Chairman 




  
NBBNJS



**Copy Furnished:**

1. **A.C. GAVIOLA LAW OFFICE**  
Counsel for CEBECO II  
Rm. 203, 2/F Crown Plaza Building  
3<sup>rd</sup> Ave., North Reclamation, Cebu City
2. **CEBU II ELECTRIC COOPERATIVE, INC. (CEBECO II)**  
Bito-on, Dumanjug, Cebu
3. **THE OFFICE OF THE SOLICITOR GENERAL**  
134 Amorsolo Street, Legaspi Village  
City of Makati 1229
4. **THE COMMISSION ON AUDIT**  
Commonwealth Avenue  
Quezon City 1121
5. **THE SENATE COMMITTEE ON ENERGY**  
GSIS Building, Roxas Boulevard  
Pasay City 1307
6. **THE HOUSE COMMITTEE ON ENERGY**  
Batasan Hills, Quezon City 1126
7. **OFFICE OF THE PRESIDENT OF PCCI**  
Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> Floor, ECC Building, Sen. Gil Puyat Avenue  
Makati City
8. **Office of the City Mayor**  
Bogo City, Cebu
9. **Office of the City Mayor**  
Danao City, Cebu
10. **Office of the Municipal Mayor**  
Borbon, Cebu
11. **Office of the Municipal Mayor**  
Carmen, Cebu
12. **Office of the Municipal Mayor**  
Catmon, Cebu



13. **Office of the Municipal Mayor**  
Compostela, Cebu
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Daanbantayan, Cebu
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Medellin, Cebu
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San Remegio, Cebu
17. **Office of the Municipal Mayor**  
Sogod, Cebu
18. **Office of the Municipal Mayor**  
Tabogon, Cebu
19. **Office of the Municipal Mayor**  
Tabuelan, Cebu
20. **Office of the Municipal Mayor**  
Tuburan, Cebu
21. **Office of the Provincial Governor**  
Province of Cebu

