

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



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF EMERGENCY CAPITAL
EXPENDITURE PROJECTS:
SUPPLY AND INSTALLATION
OF 69/13.2 KV, 10 MVA POWER
TRANSFORMER, WITH PRAYER
FOR THE ISSUANCE OF
PROVISIONAL AUTHORITY**

ERC CASE NO. 2015-131 RC

**BUKIDNON SECOND ELECTRIC
COOPERATIVE, INC. (BUSECO),
Applicant.**

X ----- X

D O C K E T E D
Date: OCT 21 2015
By: W

ORDER

On July 14, 2015, Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an application for approval of the emergency capital expenditure projects: supply and installation of 69/13.2 kV, 10 MVA power transformer, with prayer for the issuance of provisional authority.

In the said application, BUSECO alleged, among others, the following:

1. BUSECO is an electric cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Manolo Fortich, Bukidnon, Philippines, represented herein by its OIC - General Manager, Deiter Hoff P. Arellano, duly authorized by virtue of Resolution No. 15-05-63 series of 2015 dated May 8, 2015, of the Board of Directors, a copy of which is attached in the application and marked as Annex "A".

The filing of said application is likewise authorized under the
aforecited Board Resolution;

2. BUSECO 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 City of Malaybalay and the Municipalities of Malitbog, Baungon, Talakag, Cabanglasan, Impasug-ong, Libona, Manolo Fortich, Sumilao, Lantapan and Barangay Lilingayon, part of Valencia City, all in the Province of Bukidnon;

THE APPLICATION AND ITS PURPOSE

3. BUSECO filed this application in compliance with ERC Resolution No. 26, Series of 2009, particularly under Article III, Section 3.4 thereof;

FACTUAL ANTECEDENTS

4. On June 2013 at around 3:40 PM, BUSECO's 10 MVA LEEEC power transformer of Lunocan Substation serving the municipalities of Manolo Fortich, Malitbog, Libona and Baugon all in the province of Bukidnon suddenly failed to deliver power resulting to total blackout in the said four municipalities. A copy of Significant Incident Report (SIR) is attached to the application as Annex "B";
5. Several tests were conducted to determine the status of the 10MVA power transformer and found out that it is extremely damaged and needs to be replaced;
6. As a short-term measure, BUSECO implemented load transfer and rented the standby 5 MVA (New Korea) power transformer of MORESCO-1 through a "Contract of Lease". At present, Lunocan Substation capacity has been reduced to 10 MVA (its 5 MVA and MORESCO-1 5 MVA power transformers) with its 5 MVA having a percent loading of 82.56% prior to the incident;
7. The expiration of the contract of lease on March 31, 2015 and the inevitable increasing demand of power in BUSECO's franchise area, specifically to the four municipalities served by the Lunocan Substation, due to new high voltage customers and expansion of facilities of existing industrial customer in the area, causes it to immediately implement the



Emergency Capex in order to minimize, if not avoid the possibility of rotating brownout of BUSECO's franchise area. A copy of the contract of lease is attached to the application as Annex "C";

7.a. PROPOSED EMERGENCY CAPEX PROJECT

Project Title	Supply and Installation of 69/13.2 kV, 10 MVA Power Transformer
Project Description	The project is the acquisition and installation of a brand new 10 MVA power transformer and its corresponding supply at Lunocan Substation.
Justifications and Benefits to be Delivered	<p>The removal of the rented 5 MVA (New Korea) will reduce the capacity requirement of the Lunocan Substation and thereby requires immediate replacement. With the project completed, Lunocan Substation will soon regain the capacity to supply enough electricity.</p> <p>As part also of the long-term plan of BUSECO, the installation of brand new 10 MVA transformer is enough to support the growing demand of Lunocan S/S and could hold for 10 years without over-loading.</p>
Actual Project Cost	Php 25,888,000.00
Project Schedule	Year 2015
Annexes	<p>"D" : ➤ Performance Assessment of Lunocan Substation; ➤ Project Formulation, Technical and Economic Evaluations.</p> <p>"E" : Bill of Materials (BOM) of the proposed project;</p> <p>"F" : Specifications of the proposed project;</p> <p>"G" : Gantt Chart of the proposed project.</p> <p>"H" : Electrical diagrams of Lunocan S/S before and after the proposed project completed.</p> <p>"I" : BUSECO's competitive bidding results on the proposed project.</p>

ACTUAL PROJECT COSTS

8. BUSECO is seeking for the authority to immediately implement the Emergency CAPEX Projects with the total amount of PhP25,888,000.00 as shown in Annex "E" which already includes delivery, testing and commissioning of the equipment;

PROJECT FINANCING PLAN

9. The financing of the said projects will be sourced through a loan from the Security 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 BUSECO for the purpose. Below is a summary of the CAPEX fund source of BUSECO:

CAPEX Fund Source (2015)

Fund Source	Total Project Cost (PhP)
Bank/Financing Institution	25,888,000.00
NEA	-
Total	25,888,000.00

10. Shown further is BUSECO's simulation of the indicative effect (rate impact) on its existing RFSC rate with the implementation of the proposed capital projects, to wit:

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Indicative effect (rate impact) on the existing RFSC rate of BUSECO

	2014	2015	2016	2017	2018	2019	TOTAL
Forecasted energy sales, kWh	124,365,644.67	129,340,270.46	134,314,896.24	139,289,522.03	144,264,147.82	149,238,773.60	820,813,254.82
Cash balance beginning, PhP, excess/(shortfall)	55,107,114.33	44,974,115.95	13,828,118.87	(38,087,381.18)	(75,138,392.24)	(107,586,076.45)	(106,902,500.71)
CASH INFLOWS							
current year collection @PhP0.4004/kWh	109,924,188.19	98,793,978.78	102,593,747.20	106,393,515.61	110,193,284.03	113,993,052.44	641,891,766.25
50% of income on leased properties	339,903.79	339,903.79	339,903.79	339,903.79	339,903.79	339,903.79	2,039,422.71
loan proceeds from financial institutions, PhP	-	496,743,483.87	54,043,277.23	-	-	-	550,786,761.10
Total Cash Inflows, PhP	110,264,091.98	595,877,366.44	156,976,928.21	106,733,419.40	110,533,187.81	114,332,956.23	1,194,717,950.06
Available cash for disbursement	165,371,206.31	640,851,482.39	170,805,047.08	68,646,038.22	35,394,795.58	6,746,879.78	1,087,815,449.35
CASH OUTFLOWS							
CAPEX requirement including emergency capex	65,642,794.04	467,928,643.31	54,043,277.23	-	-	-	587,614,714.58
Rural electrification projects	-	-	-	-	-	-	-
new amortization (new CAPEX), PhP	-	68,903,961.33	73,377,642.96	63,236,268.57	63,236,268.57	63,236,268.57	331,990,410.01
amortization of approved CAPEX, PhP	54,754,296.32	87,220,774.88	81,471,508.07	80,548,161.88	79,744,603.45	76,249,455.19	459,988,799.79
ERC Permit Fee, PhP	-	2,969,983.99	-	-	-	-	2,969,983.99
Total Cash Outflows, PhP	120,397,090.36	627,023,363.52	208,892,428.26	143,784,430.46	142,980,872.02	139,485,723.76	1,382,563,908.37
Cash balance ending, PhP, excess/(shortfall)	44,974,115.95	13,828,118.87	(38,087,381.18)	(75,138,392.24)	(107,586,076.45)	(132,738,843.98)	(294,748,459.03)
Excess/(shortfall) on RFSC, PhP/kWh	0.3616	0.1069	(0.2836)	(0.5394)	(0.7458)	(0.8894)	(0.3591)

APPLICATION FOR PROVISIONAL AUTHORITY

11. BUSECO reiterates and incorporates the foregoing allegations in support of its application for issuance of provisional authority and further alleges that, currently BUSECO is managing its power distribution on a rotational basis which proves not only inconvenient to the member-consumers but likewise detrimental to the economic activity in the area. This power unreliability needs to be immediately corrected by urgently installing the needed transformer which was rendered in-operational. The need for immediate improvement is the only solution to prevent a decline in BUSECO's power service; thus, it is imperative that the emergency CAPEX applied for approval be implemented the soonest time possible;
12. Considering the length of time to resolve the 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 the project be granted;

**COMPLIANCE WITH
PRE-FILING REQUIREMENTS**

13. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of the application together with all its annexes and accompanying documents had been furnished by BUSECO to the Legislative Body of the Municipality of Manolo Fortich, Bukidnon where it principally operates and the Legislative Body of the Province of Bukidnon. Likewise the same was published in Gold Star Daily, a newspaper of general circulation within its franchise area;
14. As proof of compliance of the service of the said copies together with all its annexes and accompanying documents, and its publication in the newspaper of general publication within BUSECO's franchise area, are the Certifications and/or Acknowledgement of Receipt issued by the Authorized Representatives of the Local Government Units concerned as annexes "J-1" and "J-2" respectively. Likewise attached as annexes "K-1" and "K-2" are the Affidavit of Publication



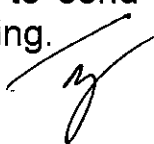
and the newspaper issue containing the published application;

15. 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 it; and
16. BUSECO prays for the approval by the Commission, after due notice and hearing, of the said application and that pending hearing, a provisional authority be issued allowing the same to immediately implement the Emergency Capital Expenditure Projects in order to deliver the continuous power supply to the affected 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 11, 2015 (Wednesday) at nine o' clock in the morning (9:00 A.M.) at BUSECO's Principal Office, Poblacion, Manolo Fortich, Bukidnon.**

BUSECO 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 Bukidnon and the Mayors of the Cities/Municipalities within the franchise area of BUSECO for appropriate posting thereof on its bulletin board.

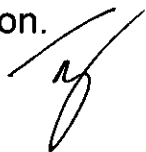
BUSECO is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, BUSECO 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.

BUSECO 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 BUSECO 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.



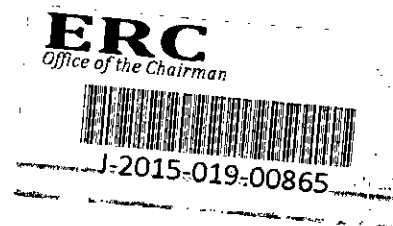
As part of the pre-trial conference, BUSECO must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned 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 *of 4*



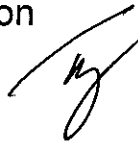

LBB/NJS

Copy Furnished:

1. **Attys. Alan C. Gaviola, Alan Byrne S. Gaviola & Estrella G. Menchavez**
A.C. GAVIOLA LAW OFFICES
Counsel for BUSECO
Rm. 203, 2/F Crown Port View Hotel
3rd Ave., North Reclamation Area, Cebu City
2. **Bukidnon Second Electric Cooperative, Inc. (BUSECO)**
Poblacion, Manolo Fortich, Bukidnon
3. **The Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **The Commission on Audit**
Commonwealth Avenue
Quezon City
5. **The Senate Committee on Energy**
GSIS Building, Roxas Boulevard
Pasay City
6. **The House Committee on Energy**
Batasan Hills, Quezon City
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
8. **Office of the Governor**
Province of Bukidnon
9. **Office of the City Mayor**
Malaybalay City, Bukidnon
10. **Office of the Municipal Mayor**
Baungon, Bukidnon
11. **Office of the Municipal Mayor**
Malitbog, Bukidnon
12. **Office of the Municipal Mayor**
Libona, Bukidnon



13. **Office of the Municipal Mayor**
Manolo Fortich, Bukidnon
14. **Office of the Municipal Mayor**
Sumilao, Bukidnon
15. **Office of the Municipal Mayor**
Impasug-ong, Bukidnon
16. **Office of the Municipal Mayor**
Lantapan, Bukidnon
17. **Office of the Municipal Mayor**
Cabanglasan, Bukidnon
18. **Office of the Municipal Mayor**
Talakag, Bukidnon
19. **Office of the City Mayor**
Valencia City, Bukidnon

A handwritten signature in black ink, appearing to be the initials 'KJ', is located to the right of the list item 19.