

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




**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF PROPOSED
ELECTRIC CAPITAL
PROJECTS FOR THE YEARS
2015 TO 2019 AND FOR
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2015-202 RC

**TICAO ISLAND ELECTRIC
COOPERATIVE, INC.
(TISELCO),**

Applicant.

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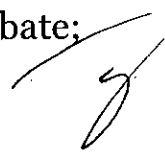
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Date: FEB 22 2016
By: 

ORDER

On 2 December 2015, the Ticao Island Electric Cooperative, Inc. (TISELCO) filed an application for the approval of its proposed electric capital projects for the years 2015 to 2019, with prayer for provisional authority.

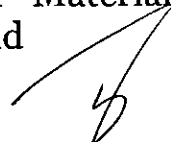
In the said application, TISELCO alleged, among others, the following:

1. TISELCO is an electric cooperative duly established and existing pursuant to the provision of P.D. 269 as amended by P.D. 1645 and was issued a fifty (50) year Franchise to operate by the National Electrification Administration (NEA). TISELCO has for its principal office located at San Jacinto, Ticao Island, Masbate and represented by its General Manager, Ricardo P. Largo, also with office address also at San Jacinto, Ticao Island, Masbate;

A handwritten signature in black ink, appearing to be the name 'Largo'.

2. Pursuant to ERC Resolution No. 26, Series of 2009, and in accordance with Section 3.5 and other provision of Article III of the Amended Rules for the Approval of Regulated Entities Capital Expenditure Projects, and likewise in accordance with its mandate to render reliable, adequate and efficient electric service to all its consumer-members on an area coverage basis, TISELCO seeks the authority from this Commission for the approval of its Five-year Capital Expenditure Projects (CAPEX) for the years 2015 and 2019, due to the deteriorating condition of old equipment and to acquire additional equipment to augment old ones, as follows:

1. **Network CAPEX Project** – consisting of rehabilitation of distribution lines, replacement of poles, meters and others, as follows:
 - a. Conversion of 10.48 circuit-km Single-Phase Line to Three-Phase Line in the amount of PhP6,429,481.28;
 - b. Reconductoring of loaded Secondary Lines which Transformer loading is at least 70% from No. 2 ACSR to 1/10 ACSR in the amount of PhP1,624,000.00;
 - c. Replacement and Installation of Grounding for all Distribution Transformers in the amount of PhP988,980.00;
 - d. Replacement of Old, Ageing, Inappropriate Dilapidated, Stop and Inaccurate Electro-Mechanical Meters with Electronic meters (Mechanical Register) in the amount of PhP6,260,000.00;
 - e. Installation of two Vacum Circuit Reclosers at midstreams for both feeders in the amount of PhP1,623,155.27;
 - f. Installation and Splitting of Load of Distribution Transformers in the amount of PhP2,189,433.09;
 - g. Replacement of Rotten Poles, Damaged Crossarms and Guying in the amount of PhP1,988,685.50;
 - h. Acquisition of Buffer Stocks for 10% of Whole Distribution System Materials in the amount of PhP3,360,376.00; and



i. Rural Electrification Projects (GAA SE/BLEP Subsidy) in the amount of PhP100,814,408.00;

2. **Other Network CAPEX Project** – Distribution Transformer; Low Voltage Distribution Lines; Service Drop Wires; and Metering Requirements for the year 2015-2019:

a. Distribution Transformer	-	PhP	2,840,001.85
b. Low Voltage Distribution Lines	-	PhP	1,898,675.82
c. Service Drop Wires	-	PhP	1,108,602.00
d. Metering Requirements	-	<u>PhP</u>	<u>1,927,074.00</u>
Sub-total		PhP	7,774,353.67

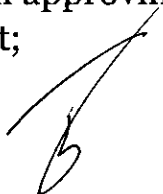
3. **Non-Network CAPEX Project (For the year 2016)**

a. Acquisition of Onsite Accuracy Meter Test Equipment	-	PhP	400,000.00
b. Building Expansion	-	PhP	3,000,000.00
c. Acquisition of Linemen Tools and Equipment	-	PhP	603,250.00
d. Acquisition of Vehicle	-	PhP	<u>1,207,500.00</u>
Sub-total		PhP	5,210,750.00

TOTAL AMOUNT OF CAPEX PhP138,263,622.81

3. In compliance with the guidelines and documentary requirements of this Commission, TISELCO submits the following documents which are attached to the application, as follows:

- Historical and Forecast Planning Data;
- Technical and Engineering Analysis;
- Project Financial and Economic Cost Benefit Analysis;
- Project Cost Estimates;
- Project Descriptions and System Study of The Projects;
- Proposed GANTT CHART Schedule;
- System Map;
- Single Line Diagram of the System;
- Board Resolution approving the Proposed Projects; and
- Sworn Statement;



PROJECT DESCRIPTION

4. These CAPEX Projects are also part of TISELCO's Distribution Development Plan. TISELCO intends to request for the provisional approval of the proposed CAPEX Projects for the year 2015-2019 due to the deteriorating condition of old equipment. TISELCO intends to purchase new ones to augment and/or replace the old equipment and line materials as well as needed vehicles such as utility vehicles and repair/extension of its office building;

5. The components of this CAPEX Projects are also geared towards rehabilitation, expansion, acquisition of needed tools and equipment such as kWhr meters and upgrading of various facilities of TISELCO for sustainable growth and development in order to render a more reliable and efficient service to all its customers within its area coverage;

BENEFITS

6. TISELCO aims to further enhance as well as maintain reliability programs geared towards the delivery of a more efficient and satisfying electric service to its member consumers;

RATE IMPACT

7. Funding for the acquisition and purchase of technical and non-technical capital expenditures will be taken from the Member's Contribution for Capital Expenditures or the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) based on the projected load growth (conservatively computed based on simulated normal growth rate) of the TISELCO, as shown below:

Particulars	2015	2016	2017	2018	2019	5-Year Impact
RFSC Balance (beginning of year)	-	(323,729.33)	(6,746,812.04)	(8,898,153.75)	(10,780,960.71)	-
Forecasted Sales (kWh)	5,480,698.63	5,725,710.81	5,948,242.38	6,151,454.52	6,338,116.57	29,644,222.92
CASH INFLOWS						
RFSC collected funds @ 0.3761	2,061,290.76	2,153,439.84	2,237,133.96	2,313,562.05	2,383,765.64	11,149,192.24
Rent from property (50%)	252,658.50	252,658.50	252,658.50	252,658.50	252,658.50	1,263,292.48

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Loan Proceeds		27,027,314.47	-			27,027,314.47
Government Subsidy						-
Total Cash Inflows	2,313,949.25	29,433,412.81	2,489,792.46	2,566,220.54	2,636,424.14	12,412,484.72
Available cash for disbursement	2,313,949.25	29,109,683.48	(4,257,019.59)	(6,331,933.21)	(8,144,536.57)	39,439,799.19
CASH OUTFLOWS						
CAPEX Project	1,679,907.28	32,416,069.89	1,638,971.76	1,448,295.17	1,389,447.15	38,572,691.25
Amortization payments old loan	945,172.00	322,875.00	115,440.00	115,440.00	115,440.00	1,614,367.00
Amortization TransCo starting 2012						
Amortization Payments starting 2016		2,874,430.11	2,874,430.11	2,874,430.11	2,874,430.11	11,497,720.44
ERC permit fee	12,599.30	243,120.52	12,292.29	10,862.21	10,420.85	289,295.18
Total Cash Outflows	2,637,678.58	35,856,495.52	4,641,134.16	4,449,027.50	4,389,738.12	51,974,073.88
EXCESS/ (SHORTFALL) PhP	(323,729.33)	(6,746,812.04)	(8,898,153.75)	(10,780,960.71)	(12,534,274.69)	(12,534,274.69)
EXCESS/ (SHORTFALL) on RFSC PhP/kWh	(0.06)	(1.18)	(1.50)	(1.75)	(1.98)	(0.4228)

**COMPLIANCE WITH PRE-FILING
AND OTHER DOCUMENTARY REQUIREMENTS**

8. Finally, in compliance with the pre-filing and other documentary requirements under the ERC Rules of Practice and Procedure as well as ERC Resolution 26, Series of 2009, TISELCO is submitting the following documents which are attached to the application, to wit:

Annex No.	Nature of Document
A	TISELCO Board Resolution approving the application and authorizing its General Manager to sign and execute the required documents;
B	Proof of furnishing copies of the application to the Sanguniang Bayan of San Jacinto, Ticao, Masbate, and Sanguniang Panlalawigan of Masbate; and
C	Publication of the application in a newspaper of general circulation within TISELCO's franchise area;

9. TISELCO prays of this Commission to render a decision approving the following:
 - a. Proposed Capital Projects in the total amount of PhP138,263,622.81; and
 - b. Payment of permit fee on installment basis; and
10. In view of the need to immediately implement the various projects which are necessary to replace the old equipment and to acquire new or additional materials and equipment, it is further prayed for the issuance of a provisional authority.

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 initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **25 May 2016 (Wednesday) at nine o'clock in the morning (9:00 A.M.) at the TISELCO Main Office, San Jacinto, Ticao Island, Masbate.**

TISELCO 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 Masbate and the Mayors of the Municipalities within TISELCO's franchise area for the appropriate posting thereof on their respective bulletin boards.



TISELCO 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.

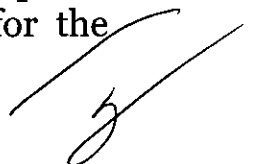
On the date of the initial hearing, TISELCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications 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.

TISELCO 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 TISELCO 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, TISELCO 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

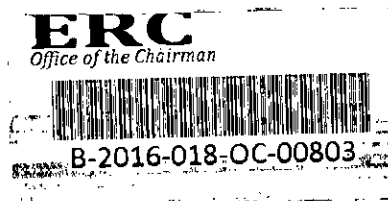


benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 15 February 2016.

FOR AND BY AUTHORITY
OF THE COMMISSION:




JOSE VICENTE B. SALAZAR
Chairman

Copy Furnished:

1. Atty. Zenon S. Suarez
Counsel for CELCO
Rm. 313 Web-Jet Building
64 Quezon Avenue cor. BMA St.
Quezon City
2. Ticao Island Electric Cooperative, Incorporated
(TISELCO)
San Jacinto, Ticao Island, Masbate
3. Office of the Solicitor General
34 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. Office of the Municipal Mayor
San Jacinto, Ticao Island, Masbate
8. Office of the Municipal Mayor
Batuan, Ticao Island, Masbate
9. Office of the Municipal Mayor
San Fernando, Ticao Island, Masbate
10. Office of the Municipal Mayor
Monreal, Ticao Island, Masbate
11. Office of the Governor
Province of Masbate
12. President
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, 355 Sen. Gil Puyat Ave., Makati
City