

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



**IN THE MATTER OF THE  
APPLICATION FOR  
AUTHORITY TO SECURE  
LOAN WITH SECURITY BANK  
WITH PRAYER FOR  
ISSUANCE OF PROVISIONAL  
AUTHORITY**

**ERC CASE NO. 2015-049 MC**

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

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DOCKETED  
Date: **SEP 29 2016**  
By: \_\_\_\_\_

**ORDER**

On 13 July 2015, the Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an Application dated 1 July 2015 (Application) for authority to secure loan with Security Bank with prayer for issuance of provisional authority.

In the said Application, BUSECO alleged the following:

1. Applicant 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, represented herein by its OIC-General Manager, DEITER HOFF P. ARELLANO, duly authorized by virtue of Resolution No. 15-05-67 Series of 2015 dated May 8, 2015, of the Board of Directors, copy of which is attached hereto as Annex "A" and made an integral part hereof;

The filing of the instant Application is likewise authorized under the aforementioned Board Resolution;

2. Applicant 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 Baungon, Malitbog, Libona, Manolo Fortich, Sumilao.

Impasug-ong, Lantapan, Cabanglasan, Talakag, and Barangay Lilingayon, part of Valencia City;

3. That Applicant filed its Emergency CAPEX for the "Supply and Installation of 69/13.2 KV, 10 MVA Power Transformer" on July 13, 2015 and is now submitted for hearing and evaluation by the Honorable Commission. Considering that the source of funds necessary for the implementation of the aforesaid Emergency CAPEX will be sourced from a private Bank, applicant needs an authority to secure loan pursuant to the Commission's guidelines;

4. That in compliance with the aforesaid guidelines, Applicant hereby submits its application for the grant of authority to secure loan with the afore-mentioned Bank, and in support thereof attached the following documents as required under the guidelines:

4.a. Copy of Audited Financial Statements including notes for test year 2014, and years 2013 and 2012 as Annexes "B", "B-1", and "B-2";

4.b. Letter of Approval from Security Bank as Annex "C";

4.c. List of projects and/or items of equipment and their estimated cost as Annex "D";

4.d. Copy of the Loan Agreement as Annex "E";

4.e. Loan Amortization schedule as Annex "F";

4.f. Copy of Emergency CAPEX Application ERC Case No. 2015-131 RC as Annex "G";

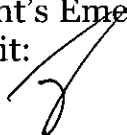
4.g. Detailed schedule of utilization (of Annual RFSC Utilization for the test year and the prior 2 years) as Annex "H";

4.h. Justification, study computation and benefits resulting from securing loans as Annex "I";

4.i. NEA loan profile 2013 to 2014 as Annex "J".

5. BUSECO reserves its right to submit other documents as may be required by this Honorable Commission in the course of the hearing;

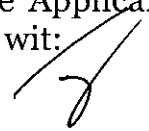
6. Applicant's Emergency Capital Projects to be financed is as follow, to wit:



<b>Project Title</b>	Supply and Installation of 69/13.2 KV, 10 MVA Power Transformer
<b>Project Description</b>	The project is the acquisition and installation of a brand new 10 MVA power transformer and its corresponding supply at Lunocan Substation.
<b>Justification and Benefits to be Delivered</b>	<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 overloading.</p>
<b>Actual Project Cost</b>	Php 25,888,000.00
<b>Project Schedule</b>	Year 2015

7. That the above project/s, due to its emergency and urgent nature has been implemented sometime on 4<sup>th</sup> week of June 2015 the immediate completion and operation of which is necessary in order to prevent decadence in Applicant's electric services to the prejudice of its consumers-members;

8. The financing sought by the Applicant will bring forth the following impact on its rate, to wit:



### Indicative Rate Impact

	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)
<b>CASH INFLOWS</b>							
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
<b>CASH OUTFLOWS</b>							
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	1,362,563,906.37
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)

9. The Applicant's debt equity ratio is 1.62 while its quick index ratio is 1.45 to 1 determined as of March 30, 2015, details of which is attached hereto as Annex "K";

**APPLICATION FOR PROVISIONAL AUTHORITY**

10. That, Applicant reiterates and incorporate the foregoing allegations in support of its application for issuance of provisional authority and further allege:

10.1. That the present facilities and equipment at the Lunocan substation of the Applicant are found to be inadequate to meet the current increase in power demand, and overloading thereon is already perceived the continuance of which will result to severe damage of the system, eventually resulting to power interruptions and decline in power reliability. The lease contract with MORESCO of the 5 mva power transformer which is currently used is due to expire on March 31, 2015. The need for immediate improvement by providing additional or new facilities is the only solution to prevent an imminent decline in Applicant's power service; and such urgent need/remedy is imperative and should necessarily be implemented;

10.2. Considering the length of time to resolve the instant 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 secure the needed financing be granted;

10.3. The provisional authority that may be issued by the Honorable Commission will provide Applicant the opportunity to draw the corresponding amounts from Security Bank, thus, its obligation to the supplier Emergency CAPEX Projects which is ongoing implementation can be fairly met and not be unduly compromised.

**COMPLIANCE WITH PRE-FILING REQUIREMENTS**

11. In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of this Application together with all its annexes and accompanying documents had been furnished by Applicant the Legislative Body of the Municipality of Manolo Fortich, Bukidnon where Applicant principally operates;

12. As proof of compliance of the service of the copies of the Application together with all its annexes and accompanying

documents is the stamped "RECEIVED" on the first page of the Application, evidencing its receipt by the said legislative body as Annex "L";

13. 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 the Application.

**PRAYER**

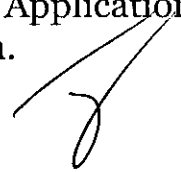
**WHEREFORE**, premises considered, it is respectfully prayed of this honorable Commission that after due hearing:

1. The herein Application for authority to secure loan be APPROVED.
2. A Provisional Authority allowing Applicant to draw amounts from Security Bank be issued pending hearing and consideration of the Application.
3. To allow Applicant to include in its billing and pass on to the consumers the cost/amounts of its Emergency CAPEX Projects incurred in its implementation as may be approved and set by the Commission.

Other reliefs just and equitable under the premises are likewise prayed for.

Finding the said Application sufficient in form and substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **28 October 2016 (Friday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

BUSECO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least 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.

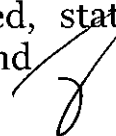
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Provincial Governor and its Local Government Unit (LGU) Legislative Body, the City and Municipal Mayors, and the LGU Legislative Bodies within BUSECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

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 and Pre-trial Conference, BUSECO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU Legislative Bodies, or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published, together with the complete issue of the said newspaper, 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, 19 September 2016.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
*Chairman and CEO*

  
LS: JHH/ARG/APV

**ERC**  
*Office of the Chairman*



I-2016-029-OC-05019



**Copy furnished:**

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*Counsel for Applicant BUSECO*  
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*Applicant*  
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3. Office of the Solicitor General  
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Makati City, Metro Manila
4. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
5. Senate Committee on Energy  
GSIS Building, Roxas Boulevard  
Pasay City, Metro Manila
6. House Committee on Energy  
Batasan Hills  
Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)  
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McKinley Town Center, Fort Bonifacio  
Taguig City
8. Office of the Provincial Governor  
Province of Bukidnon
9. Office of the LGU Legislative Body  
Province of Bukidnon
10. Office of the City Mayor  
Malaybalay City, Bukidnon
11. Office of the LGU Legislative Body  
Malaybalay City, Bukidnon
12. Office of the Municipal Mayor  
Baungon, Bukidnon
13. Office of the LGU Legislative Body  
Baungon, Bukidnon
14. Office of the Municipal Mayor  
Malitbog, Bukidnon

15. Office of the LGU Legislative Body  
Malitbog, Bukidnon
16. Office of the Municipal Mayor  
Libona, Bukidnon
17. Office of the LGU Legislative Body  
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