

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.**

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**D O C K E T E D**  
Date: OCT 21 2015  
By: [Signature]

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

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**

<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>Justifications 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 over-loading.</p>
<b>Actual Project Cost</b>	Php 25,888,000.00
<b>Project Schedule</b>	Year 2015
<b>Annexes</b>	<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)**

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

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)
<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	1,382,563,908.37
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)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	<b>0.3616</b>	<b>0.1069</b>	<b>(0.2836)</b>	<b>(0.5394)</b>	<b>(0.7458)</b>	<b>(0.8894)</b>	<b>(0.3591)</b>

**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.

The Commission has set the application 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.**

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

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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 Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 12<sup>th</sup> day of October 2015 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III

  
~~UBB/NJS~~