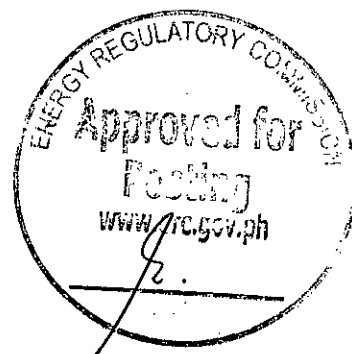


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**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.**

X ----- X

D O C U M E N T E D
Date: **SEP 29 2016**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 July 2015, the Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an Application dated 1 July 2016 (Application) for the 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:

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.
Justification and Benefits to be Delivered	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. 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.
Actual Project Cost	Php 25,888,000.00
Project Schedule	Year 2015

7. That the above project/s, due to its emergency and urgent nature has been implemented sometime on 4th 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)
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)

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.


The Commission has set the Application 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, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

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 wish to have a copy of the Application may request from the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during standard office hours.

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 19th day of September 2016 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


LS: JHH/ARG/APV