

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



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

ERC Case No. 2016-044MC

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

Applicant.

X-----X

D O C K E T E D
Date: **FEB 16 2017**
By: *[Signature]*

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 December 2016, the Bukidnon Second Electric Cooperative, Inc. (BUSECO), filed an Application dated 9 December 2016 (Application) for authority to secure loan to finance its approved capital expenditure projects (CAPEX) 2014-2016 with prayer for the 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 General Manager, DEITER HOFF P. ARELLANO, duly authorized by virtue of Resolution No. 16-173, Series of 2016, dated November 11, 2016, by 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 aforesaid 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 CAPEX for the 2014 to 2016 on 29 August 2013 and was approved through a decision issued on 14 September 2015. Considering that the source of funds necessary for the implementation of the aforesaid approved CAPEX when will be thru private financing, specifically Security Bank and Metrobank, 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 aforementioned Banks, 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 2015, and years 2014 and 2013 as Annexes "B", "B-1" and "B-2";
 - 4.b. Letter of Proposal from Security Bank and Metrobank as Annexes "C" and "C-1";
 - 4.c. List of projects and/or items of equipment and their estimated cost, as Annex "D";
 - 4.d. Copy of the Draft Loan Agreement from Security Bank and Metrobank as Annexes "E" and "E-1";
 - 4.e. Loan Amortization schedule from Security Bank and Metrobank as Annexes "F" and "F-1";
 - 4.f. Filed copy and the Decision of the CAPEX Application docketed as ERC

- Case No. 2013-178 RC as Annex "G" and "G-1";
- 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 present 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 Approved Capital Projects are as follow, to wit:

Item	Proposed CAPEX Projects	Approved Cost (PhP)
1	Installation of control unit for feeder protection recloser at Aglayan Substation	2,309,280.00
2	Installation of circuit breaker at Lunocan Substation	6,759,132.00
3	Replacement of dilapidated poles	27,522,687.20
4	Conductor up-rating from #2 ACSR to 2/0 ACSR and 2/0 ACSR to 4/0 ACSR	3,501,510.17
5	Conversion from single-phase/v-phase lines to three phase lines	6,279,121.82
6	Capacitor placement/ installation	402,288.00
7	Voltage regulator installation/ placement	816,000.00
8	Rehabilitation and upgrading of over-extended secondary lines	75,885,229.39
9	Line augmentation	4,341,823.44
10	Expansion of distribution lines	3,901,500.00
11	Purchase of kilowatt-hour meters for residential, low voltage and high voltage customer	37,979,654.16
12	Reconfiguration of Lunocan Substation feeder	2,448,000.00
13	Relocation of service entrance, kilowatt-hour meters and service	3,175,487.53

Item	Proposed CAPEX Projects	Approved Cost (PhP)
	dropwires of residential customers	
14	Substation check metering (69 kV line)	9,520,680.00
15	Procurement of potential transformer and current transformer for Aglayan Substation	1,494,135.25
16	Replacement of defective kilowatt-hour meters	6,037,000.00
17	Installation of switching facilities to identified higher voltage customer	2,907,000.00
18	Asset Management	7,823,354.00
19	New building and building improvements program	77,003,545.90
20	Integrated Automation Program (IAP)	30,360,708.22
21	Network Connectivity Program (NCP)	32,430,145.56
22	Safety equipments and gadgets	15,678,425.71
23	Vehicle Augmentation Program (VAP)	20,564,656.16
24	Lot Acquisition	2,060,000.00
25	Distribution asset labeling	5,033,700.00
	Total Cost	386,235,064.51

The above project shall be funded by a loan from Security Bank of ONE HUNDRED FIFTY-FIVE MILLION ONE HUNDRED TWENTY-SEVEN THOUSAND ONE HUNDRED SIXTY NINE PESOS AND 22/100 (Php 155,127,169.22) and loan from Metrobank of ONE HUNDRED FORTY-SIX MILLION NINETEEN THOUSAND FOUR HUNDRED FIFTY-FOUR PESOS AND 55/100 (Php 146,019,454.55) and the remaining balance from the NEA.

7. That the above projects will be implemented on staggered basis and are necessary for the operation and maintenance of the distribution system of BUSECO in order to further enhance dependable and quality electric service to its consumers-members;
8. The financing sought by the Applicant will bring forth the following impact on its rate, to wit:

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Indicative effect on the existing RFSC rate of BUSECO @ 6% interest rate for 10 years

	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	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
government subsidy	-	-	-	-	-	-	-
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	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
amortization of old debts	-	-	-	-	-	-	-
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 1.53:1 while its quick index ratio is 1.12:1 determined for the year ended December 31, 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 alleges:

10.1. That the present facilities and equipment of the Applicant are found to be inadequate to meet the current increase in power demand, causing overloading of the said facilities which will result to severe damage of the system, eventually resulting to power interruptions and decline in power reliability. 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 urgent and time is of the essence;

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 and Metrobank, thus, its 2014-2016 Capital Expenditure Projects can be implemented in accordance with the schedule of actual utilization. As such, the reliability and

quality of its service will 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 Local Government Unit (LGU) Legislative Body of the franchise area 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 Annexes "L" to "L-11";
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.

P R A Y E R

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

1. A Provisional Authority allowing Applicant to draw amounts from Security Bank and Metrobank be issued pending hearing and consideration of the Application.
2. After due notice and hearing, the herein Application for authority to secure loan be APPROVED.
3. To allow Applicant to include in its billing and pass on to the consumers the cost/amounts of its Capital Expenditure Projects incurred in its implementation through the RFSCE as may be approved by the Commission.

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


Finding the said Application to be sufficient in form and substance, with the required fees having been paid, pursuant to Section 4, Rule 13 of the Commission's 2006 Rules of Practice and Procedure (2006 RPP), the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **30 March 2017 (Thursday) 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 13th day of February 2017 in Pasig City.


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


LS: KTB/RPM/APV