

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
PROPOSED THREE (3) YEAR
CAPITAL EXPENDITURE
PROJECTS FOR THE YEARS
2017-2019**

ERC CASE NO. 2016-140 RC

**CEBU III ELECTRIC
COOPERATIVE, INC. (CEBECO
III),**

Applicant.

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D O C K E T E D
Date: JAN. 05. 2017
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 13 June 2016, Cebu III Electric Cooperative, Inc. (CEBECO III) filed with the Commission an Application dated 8 June 2016 (Application) for the approval of its proposed three (3) year capital expenditure projects for the years 2017 to 2019.

In the said Application, CEBECO III alleged the following:

1. CEBECO III is an electric cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Luray II, Toledo City, Cebu, Philippines, represented by its General Manager, Virgilio C. Fortich, duly authorized by virtue of Board Resolution No. 44, Series of 2016 dated 21 March 2016, of the Board of Directors, copy of which is attached to the Application as **Annex "A"** and made an integral part thereof;

The filing of the Application is likewise authorized under the afore-mentioned Resolution;

2. CEBECO III has been granted by the National Electrification Administration (NEA) an authority to operate and distribute electric light and power within the coverage area comprising of the City of Toledo and the Municipalities of Aloguinsan, Pinamungajan, Balamban and Asturias all in the Province of Cebu;

THE APPLICATION AND ITS PURPOSE

3. The Application is filed in compliance with ERC Resolution No. 26, Series of 2009 (A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects)" adopted pursuant to the mandate of Section 43 of Republic Act No. 9136 otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA) and its implementing Rules and Regulations, which categorically provides that all capital expenditure projects (CAPEX) shall be submitted to and for the approval of the Commission prior to its implementation, in relation to ERC Resolution No. 20, Series of 2011 which sets the timelines for the filing of the instant application;
4. The aforesaid amended rules was issued by the Commission to ensure the following: 1) that the projects are timely, appropriate, necessary and cost efficient; 2) that the proposed capital projects are consistent with the Distribution Development Plan (DDP), the Philippine Grid Code (PGC), the Philippine Distribution Code (PDC), and other relevant government issuances; and 3) that the procurement of equipment, materials and services are transparent, competitive and compliant with the applicable laws and regulations;
5. In accordance with the Amended CAPEX Rules, consistent with the DDP and the PDC, CEBECO III shall acquire, construct and implement the following three (3) year capital expenditure projects with a total approximate cost of **One Hundred Forty Three Million Five Hundred Thirty-Eight Thousand Four Hundred Four Pesos (PhP143,538,404.00)**;

THE PROPOSED CAPITAL EXPENDITURE PROJECTS

5.a.1 NETWORK CAPEX PROJECTS

- **SAFETY PROJECTS**

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Project Code	Project Description	Fund Source	Amount per Year of Implementation			Total Cost (Php)
			2017	2018	2019	
NCP-001	Rehab/Uprating/Rerouting of Toledo Feeder 1 Phase 1: From Toledo S/S to Bulubugan via 69 kV Underbuilt on 336.4 MCM ACSR.	Bank	13,888,629			13,888,629
NCP-002	Rehab/Uprating/Rerouting of Toledo Feeder 1 Phase 2: From Bulubugan to Pinamungajan S/S via 69 kV Underbuilt on Steel Poles using 336.4 MCM ACSR.	Bank	6,669,982			6,669,982
NCP-003	Rehab/Rerouting/Reconductoring of Toledo Feeder 1 From Pina S/S to Dakit, Bonbon and Cement Plant via Triple Circuit Design via 4/o ACSR	Bank	7,653,478			7,653,478
NCP-004	Installation of Gang Type Disconnect Switches	Bank	600,000	350,000	375,000	1,325,000
NCP-005	Installation of Disconnect Switches	Bank	650,000	780,000	910,000	2,340,000
NCP-006	Installation of Fuse Cutouts	Bank	418,000	498,960	586,971	1,503,931
Sub-Total (Php)						33,381,020

• **POWER QUALITY PROJECTS**

Project Code	Project Description	Fund Source	Amount per Year of Implementation			Total Cost (Php)
			2017	2018	2019	
NCP-007	Construction of 13 km, 69 kV Subtrans on 336.4 MCM Conductors from Toledo to Poog	Bank				
NCP-008	Rehab and Uprating of Poog to DASUNA Line Section (Lutopan Feeder 3)	Bank	1,861,591			1,861,591
NCP-009	Repair and Refurbishment of 10/12.5 MVA Power Transformer	Bank	4,468,564			4,468,564
NCP-010	Construction of 5/6.25 MVA Asturias Substation	Bank		27,000,000		27,000,000
Sub-Total (Php)						33,330,155

5.a.2. OTHER NETWORK CAPEX PROJECTS

ONCP-001	Installation of Amorphous Distribution Transformers	Bank	4,740,600	5,476,400	6,327,450	16,544,450
ONCP-002	Installation of Service Drop Wire	Bank	3,656,048	2,145,110	2,252,365	8,053,523
ONCP-003	Purchase of Metering Equipment	Bank	4,373,494	6,245,067	6,557,530	17,176,091
Sub-Total (Php)						41,774,064

5.a.3. NON-NETWORK CAPEX PROJECTS

NNCP-001	Acquisition and Installation of SCADA System	Bank	450,000	1,800,000	1,200,000	3,450,000
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NNCP-002	Purchase of Vehicles	Bank	6,630,000	7,736,500	2,343,326	16,709,826
NNCP-003	Purchase of Test Equipment	Bank	1,100,000	-	2,550,000	3,650,000
NNCP-004	Purchase of Line Maintenance Tools	Bank		880,000		880,000
NNCP-005	Purchase of Safety Apparel	Bank	715,000	747,500	780,000	2,242,500
NNCP-006	Acquisition of Lot and Site Development	Bank			2,000,000	2,000,000
NNCP-007	Acquisition of Lot for Asturias Area Office	Bank			1,000,000	1,000,000
NNCP-008	Construction of Asturias Area Office Building	Bank			1,250,000	1,250,000
NNCP-009	Purchase of Tools and Equipment	Bank	327,150	18,000	58,000	403,150
NNCP-010	Bagonan Renovation	Bank	500,000			500,000
NNCP-011	Purchase of IT Softwares and Hardwares	Bank	1,213,607	437,275	493,886	2,144,768
NNCP-012	Purchase of Communication Equipment	Bank	66,500	89,909	97,100	253,509
NNCP-013	Purchase of Meter Reading Equipment	Bank	64,000	67,200	70,560	201,760
NNCP-014	Purchase of Office Equipment	Bank	220,000	50,400	97,252	367,652
Sub-Total (Php)						35,053,165

SUMMARY OF PROJECTS:

Capital Expenditure Project Type	Source of Funds	Project Costs to be Financed	Annual Project Costs		
			2017	2018	2019
Network CAPEX Projects					
Safety	Bank	33,381,020	29,880,089	1,628,960	1,871,971
Power Quality	Bank	33,330,155	6,330,155	27,000,000	-
Sub-total			36,210,244	28,628,960	1,871,971
Other Network CAPEX Projects					
Service Drop Wire	Bank	8,053,523	3,656,048	2,145,110	2,252,365
Metering Equipment	Bank	17,176,091	4,373,494	6,245,067	6,557,530
Distribution Transformers	Bank	16,544,450	4,740,600	5,476,400	6,327,450
Sub-total			12,770,142	13,866,577	15,137,345
Non - Network CAPEX Projects					
SCADA	Bank	3,450,000	450,000	1,800,000	1,200,000
Vehicles		16,709,826	6,630,000	7,736,500	2,343,326
Test Equipment	Bank	3,650,000	1,100,000	-	2,550,000
Line Maintenance Tools	Bank	880,000		880,000	
Safety Apparel	Bank	2,242,500	715,000	747,500	780,000
Land	Bank	3,000,000			3,000,000
Building	Bank	1,750,000	500,000		1,250,000
Tools and Equipment	Bank	403,150	327,150.00	18000	58,000
IT Softwares and Hardwares	Bank	2,144,768	1,213,607	437,275	493,886
Communication	Bank	253,509	66,500	89,909	97,100

Meter Reading Equipment	Bank	201,760	64,000	67,200	70,560
Office Equipment	Bank	367,652	220,000	50,400	97,252
Sub-total			11,286,257	11,826,784	11,940,124
GRAND TOTAL per Year (in PhP)			60,266,643	54,322,321	28,949,440

5.b. TYPE OF THE CAPITAL EXPENDITURE PROJECTS IN ACCORDANCE WITH SECTION 2.3 OF RESOLUTION NO. 26, SERIES OF 2009

- 5.b.1 As described above in Section 5.a.1, the projects are categorized as Network CAPEX which will address safety, power quality and reliability of the distribution system of CEBECO III;
- 5.b.2 The Other Network CAPEX projects as shown in 5.a.2 are necessary in terms of additional distribution transformers, meters and metering materials due to annual customer growth as forecasted including replacement; and
- 5.b.3 The Non-Network CAPEX projects of CEBECO III as categorized and indicated in 5.a.3 will enhance its capability in responding to customer requests and concerns for better and efficient electric service. Further, its facilities and equipment will be responsive to the quality service that the consumers deserve;

JUSTIFICATION OF THE CAPITAL PROJECTS

- 6. With the prevailing situation in the electric power industry vis-à-vis the consumers' demand, CEBECO III deems it appropriate to embark on asset development and expansion in order to meet the growing demands;
- 7. The procurement of the aforementioned projects are necessary in the schedules provided, otherwise service decline is imminent, to the prejudice of the consumers;
- 8. If a force majeure or fortuitous event, as the case may be, occurs, CEBECO III shall seek the ERC's confirmation of the implementation of the capital projects arising from such event;

RELATED AND INDISPENSABLE DOCUMENTS

- 9. Consistent with the requirement of the filing of applications for approval of capital projects, Applicant attached and made an integral part of this Application the

detailed justifications, related and indispensable documents chronologically arranged and contained in **Annex "B"** thereof;

**BOARD APPROVAL
OF THE PROPOSED PROJECTS**

10. Finding the proposed capital expenditure projects reasonable, appropriate, necessary and beneficial to the consumers, it being envisioned to further their interests; there being no adverse effects on its implementation, but rather results to service decline if not achieved and implemented on the periods it is projected to occur, the Board of Directors of CEBECO III passed Resolution No. 43, Series of 2016 dated 21 March 2016 approving the proposed CAPEX, copy of which is attached to the Application as **Annex "C"**;
11. Information on the proposed capital projects had been widely disseminated through posting in conspicuous places of the City of Toledo and the Municipalities of Aloguinsan, Pinamungajan, Balamban and Asturias, all in the Province of Cebu as certified to by Engr. Edgardo H. Hernaez Jr., employee of CEBECO III tasked to undertake such dissemination. A copy of the said information on the proposed capital projects is attached to the Application as **Annex "D"**. The Notices posted in the areas aforementioned specifically contained the following:
 - a. the proposed projects;
 - b. the reasons for proposing said projects;
 - c. the source of fund for the said projects;
 - d. indicative rate impact of the said project.

SOURCE OF FUNDS FOR THE PROJECTS

12. In the implementation of the proposed projects, CEBECO III shall utilize the Reinvestment Fund for Sustainable Capital Expenditures (RFSC) and the big part shall be sourced through loans from interested lenders/financial institutions that shall charge the least interest. A separate application for authority to secure loan shall be filed with the Commission;
13. The implementation of the proposed CAPEX shall bring forth an indicative rate impact of PhPo.0734 as follows:

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RATE IMPACT CALCULATION

	2011-2013	2014-2016	2017	2018	2019	Total
kWh Sales	277,669,460	330,583,264	126,948,814	134,380,551	141,899,758	1,011,481,846
Approved RFSC Rate, PhP/KWh	0.2508	0.2508	0.2508	0.2508	0.2508	0.2508
Cash balance beginning, PhP, excess/(shortfall)	5,475,413	(33,903,280)	7,654,320	(18,249,961)	(47,794,261)	5,475,413
CASH INFLOWS						
Current year RFSC Collection, PhP	69,639,501	82,910,283	31,838,762	33,702,642	35,588,459	253,679,647
50% income on leased properties, PhP	540,761	540,761	180,254	180,254	180,254	1,622,284
Subsidy	9,622,438	14,292,881	-	-	-	23,915,319
Loan proceeds from financial institutions, PhP (Capex 2011-2013)	-	98,225,508	52,095,003	7,000,000		157,320,511
Loan proceeds from financial institutions, PhP (Capex 2014-2016)	-	146,343,213	10,197,914			156,541,127
Loan proceeds from financial institutions, PhP (Capex 2017-2019)	-	-	60,266,643	54,322,321	28,949,439	143,538,404
Total Cash Inflows, PhP	79,802,699	342,312,646	154,578,576	95,205,217	64,718,152	736,617,291
Available cash for disbursement, PhP	85,278,112	308,409,366	162,232,897	76,955,257	16,923,891	742,092,704
CASH OUTFLOWS						
CAPEX Requirement, PhP (2011 to 2013)	96,216,523	46,903,784	52,095,003	7,000,000	-	202,215,309
CAPEX Requirement, PhP (2014 to 2016)	-	196,042,558	10,197,914			206,240,471
CAPEX Requirement, PhP (2017 to 2019)			60,266,643	54,322,321	28,949,439	143,538,404
Previous Loan Amortization with NEA, PhP	21,443,883	2,749,684				24,193,567
Previous Loan Amortization with PNB, PhP	-	26,116,748	12,759,150	10,686,928	7,204,356	56,767,182
New Loan Amortization with PNB, 2011-2013	-	6,442,615	14,040,741	14,586,774	14,049,977	49,120,106
New Loan Amortization with PNB, 2014-2016	-	20,907,465	21,692,298	20,989,828	20,288,504	83,878,095
Sheet1			8,979,108	16,756,250	20,475,721	46,211,078
ERC Permit Fees, PhP (Capex 2011-2013)	1,520,986					1,520,986
ERC Permit Fees, PhP (Capex 2014-2016)	-	1,592,194				1,592,194
ERC Permit Fees, PhP (Capex 2017-2019)	-	-	452,000	407,417	217,121	1,076,538
Total Cash Outflows, PhP	119,181,392	300,755,046	180,482,857	124,749,518	91,185,118	816,353,931
Cash balance ending, PhP, excess/(shortfall)	(33,903,280)	7,654,320	(18,249,961)	(47,794,261)	(74,261,227)	(74,261,227)
Rate Impact on RFSC, PhP/KWh, excess/(shortfall)	(0.1221)	0.0232	(0.1438)	(0.3557)	(0.5233)	(0.0734)

COMPLIANCE WITH PRE-FILING REQUIREMENTS

- In compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, copies of Application together with all its annexes and accompanying documents had been furnished by CEBECO III the Legislative Body of the City of Toledo, where CEBECO III principally operates and the Legislative Body of the Province of Cebu. Likewise the

Application was published in The Freeman, a newspaper of general circulation within the franchise area of the CEBECO III;

15. As proof of such compliances is the Affidavit of Service executed by Kareen T. Pagdalian, an employee of CEBECO III, and the first page of the Application bearing the stamp "RECEIVED", attached to the Application as **Annex "E", "F" and "G"**, and the Affidavit of Publication executed by the Editor, and original copy of the issue showing the published application, copies of which are attached to the Application as **Annexes "H" and "I"**, respectively;
16. Moreover, prior to the filing of the 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;
17. CEBECO III respectfully prays:
 - a. That after due notice and hearing, the proposed capital projects/expenditures subject of the application be APPROVED, declared just, reasonable, and equitable pursuant to the provisions of ERC Resolution No. 26, Series of 2009, and other related laws, rules and regulations; and
 - b. That CEBECO III be allowed/authorized to recover from the members-consumers its expenditures/costs incurred in the implementation of the Capital Expenditure Projects.


The Commission has set the Application for jurisdictional hearing, expository presentation, Pre-trial Conference and evidentiary hearing on **01 February 2017 at ten o'clock in the morning (10:00 A.M.) at the CEBECO III's Main Office, Luray II, Toledo City, Cebu.**

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 the standard office hours.

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR** (on leave), 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 22nd day of December 2016 in Pasig City.


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