

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



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

**ERC CASE NO. 2017-008 MC**

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

**Applicant.**

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**D O C K E T E D**  
Date: APR 30 2018  
By: \_\_\_\_\_

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 2 June 2017, an *Application* dated 29 May 2017 was filed by applicant Cebu I Electric Cooperative, Inc. (CEBECO I) seeking the Commission's approval for an authority to secure loan with prayer for the issuance for provisional authority.

**CEBECO I alleged the following in its Application:**

1. Applicant CEBECO I is an Electric Cooperative created and existing pursuant to the provisions of Presidential Decree No. 269 as amended, with principal office located at Bitoon, Dumanjug, Cebu, Philippines, represented herein by its Officer-in-Charge to the Office of the General Manager, Getulio Z. Crodua, duly authorized by virtue of Board Resolution No. 63 - A, series of 2017 dated May 13, 2017, 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 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 Carcar and the Municipalities of Barili, Dumanjug, Ronda, Alcantara, Moalboal, Badian, Alegria, Malabuyoc, Ginatilan, Samboan, Santander, Sibonga, Argao, Dalaguete, Alcoy, Boljo-on and Oslob all in the province of Cebu;

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3. That Applicant filed its CAPEX for the years 2016 to 2018 on 21 May 2015 and is now submitted for resolution by the Honorable Commission. Considering that the source of funds necessary for the implementation of the aforesaid CAPEX when approved will be sourced from a private Bank, applicant needs an authority to secure loan pursuant to the Commission's guidelines;
4. That in securing a loan intended to finance its CAPEX Projects, CEBECO I requested for proposals from various private financial institutions. Based on CEBECO I's evaluation, it was determined that the proposal from Metropolitan Bank & Trust Company is more advantageous to the member-consumers. A copy of the comparison of bank offers is attached hereto as **Annex "B"**;
5. That in compliance with the aforesaid guidelines, Applicant hereby submits its application for the grant of authority to secure loan, and in support thereof attached the following documents as required under the guidelines:
  - 5.a. Copy of Audited Financial Statements including notes for test year 2016, 2015, 2014 and 2013 as **Annexes "C", "C-1", "C-2" and "C-3"**;
  - 5.b. Letter of Approval from Metropolitan Bank & Trust Company as **Annex "D"**;
  - 5.c. Letter of Approval of the National Electrification Administration for the authority to secure loans from other sources as **Annex "E"**;
  - 5.d. List of projects and/or items of equipment and their estimated cost as **Annex "F"**;
  - 5.e. Bases of the reasonableness of the estimated cost as **Annex "G"**;
  - 5.f. Copy of the Loan Agreement as **Annex "H"**;
  - 5.g. Amortization schedule provided by Metropolitan Bank & Trust Company as **Annex "I"**;
  - 5.h. Filed CAPEX application ERC Case No. 2015-101 RC as **Annex "J"**;
  - 5.i. Detailed schedule of utilization (of Annual RFSC Utilization for the test year and the prior 2 years) as **Annex "K"**;
  - 5.j. Computation of Financial ratios as **Annex "L"**.
  - 5.k. Cost-Benefit Analysis and Justification in securing loans as **Annex "M"**;
  - 5.l. Certification from the National Electrification Administration that CEBECO I has no outstanding obligation as of March 31, 2017 as **Annex "N"**;

*aw*

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6. Applicant's proposed Capital Projects to be financed are as follows, to wit:

**NETWORK CAPEX PROJECTS:**

<b><u>Capacity Capital Projects</u></b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
Installation of 10 MVA Moalboal Substation and 69kV Line	146,515		
Installation of 5 MVA Argao Substation and 69kV Line			35,420

7. That the above project/s will be implemented on staggered basis and are necessary for the operation and maintenance of the distribution system of CEBECO I 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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*no*

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*Rate Impact Based on Term Loan*

10 Years at 5% Interest Rate

Fund Source	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Total
NEA/Other Banks	153,840,604	0	41,003,406								194,844,010
NEA (Subsidy)	30,895,576	37,732,440	41,752,861								110,380,877
RFSC	54,642,154	76,205,327	47,741,407								178,588,888
Total	239,378,334	113,937,767	130,497,674								483,813,775

Cash Flow	Year2016	Year2017	Year2018	Year2019	Year2020	Year2021	Year2022	Year2023	Year2024	Year2025	Total
NEA/Other Banks	29,383,555	29,383,555	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	95,982,317
RFSC	54,642,154	76,205,327	47,741,407								178,588,888
Total	84,025,710	105,588,882	84,956,613	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	274,571,205
ERC Approval Fee	1,795,338		854,533								3,628,603
Total CAPEX Plan Cost to Consumers	85,821,047	106,443,415	85,935,346	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	278,199,808

Projected Revenue	Year2016	Year2017	Year2018	Year2019	Year2020	Year2021	Year2022	Year2023	Year2024	Year2025	Total
Projected KWh	173,049,097	181,025,698	189,617,310	198,854,589	208,769,367	219,395,044	230,766,631	242,920,656	255,895,015	268,984,445	2,169,277,852
RFSC (0.2904 + 0.1181)	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085	0.4085
Revenue from RFSC	70,690,556	73,948,998	77,458,671	81,232,100	85,282,286	89,622,875	94,268,169	99,233,088	104,533,114	109,880,146	886,150,003
CAPEX Plan	54,642,154	76,205,327	47,741,407								178,588,888

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(Internal/RFSC)																					
CAPEX Plan Amortization	29,383,555	29,383,555	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	356,488,758
CAPEX Approval Fee	1,795,338	854,533	978,733																		3,628,603
Sub-Total CAPEX Plan Cost	85,821,047	106,443,415	85,935,346	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	37,215,206	538,706,249
Previous Loan Amortization	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	56,366,901	494,694,207
Total CAPEX Plan Cost	142,187,948	162,810,316	142,302,246	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	93,582,107	1,033,400,456
Net Cash Flow	(71,497,392)	(88,861,318)	(64,843,575)	(12,350,007)	(8,299,820)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(3,959,231)	(147,250,454)
Indicative Rate Impact	<b>0.4132</b>	<b>0.4909</b>	<b>0.3420</b>	<b>0.0621</b>	<b>0.0398</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0180</b>	<b>0.0679</b>

*Note:*

- 1.) *The additional RFSC PhPo.1181/kWh pertains to the indicative rate impact of previously APPROVED CAPEX Projects (2011 to 2015) which will be implemented in the years 2016 to 2018 computed at 5% interest rate for 10 years. The decision was received last March 2015 and the Cooperative is still negotiating with commercial banks that can offer the lowest interest rate*
- 2.) *The indicative additional RFSC of PhPo.0679/kWh is the rate impact of the PROPOSED CAPEX Projects for years 2016 to 2018 computed based on the term of the loan at 5% interest rate*
9. *The Applicant's debt equity ratio is 0.41 while its quick ratio is 1.15 determined as of the date of preparation of this application;*

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**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 of the Applicant are found to be inadequate to meet the current increase in power demand, thus, overloading is imminent which will result 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 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 Metropolitan Bank & Trust Company, thus, its 2016-2018 Capital Expenditure Projects can be implemented in accordance with the schedule of actual utilization. **THUS**, 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 Legislative Body of the Municipality of Dumanjug where Applicant principally operates and the Legislative Body of the Province of Cebu.
12. As proof of compliance of the service of the copies of the Application together with all its annexes are the Certifications issued by the Authorized Representatives of the Local Government Units and/or the Affidavit of Service executed by Jennifer C. Bayang and the first page of the Application bearing the receiving stamp of the aforementioned Offices as **Annexes "O", "O-1" and "O-2"** respectively.
13. 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 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 Metropolitan Bank & Trust Company be issued pending hearing and consideration of the Application in order to allow Applicant to implement the CAPEX Projects.
3. To allow Applicant to include in its billing and pass on to the consumers the amounts of its Capital Expenditure Projects incurred in its implementation as may be approved and set by the Commission.

Other relief 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 **13 June 2018 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.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 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 case may file

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their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the Application may request from Applicant that it be furnished with the same, prior to the date of the initial hearing. 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 Chairperson and CEO **AGNES VST DEVANADERA**, and the Honorable Commissioners **GLORIA VICTORIA C. YAP-TARUC**, **ALFREDO J. NON** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 22<sup>nd</sup> day of March 2018 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*

  
LS:SLAN/KTB/APV