

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

**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE
CAPITAL EXPENDITURE
PROJECTS OF BUKIDNON
SECOND ELECTRIC
COOPERATIVE, INC.
(BUSECO) FOR THE YEARS
2020 TO 2022 WITH
PRAYERS FOR THE
ISSUANCE OF
PROVISIONAL AUTHORITY
AND TO SECURE LOAN
FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA)**

ERC CASE NO. 2019-042 RC

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

Promulgated:
JUN 19 2019

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 04 June 2019, Applicant Bukidnon Second Electric Cooperative, Inc., (BUSECO) filed an *Application* dated 29 April 2019, seeking the Commission's approval of its Capital Expenditure Projects for the years 2020 to 2022 with prayers for the issuance of provisional authority and to secure loan from the National Electrification Administration (NEA).

The pertinent allegations of the said *Application* are hereunder quoted as follows:

1. That, the Applicant is an electric cooperative existing pursuant to law (P.D. 269) with postal address at Tankulan, Manolo Fortich, Bukidnon, and may be served by the

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processes of this Honorable Commission through its OIC-General Manager, Cristopher A. Dulfo, CPA, MBM, and President Alex D. Payangga whose joint authority is hereto attached as Annex "A" and made an integral part of this Application. That Applicant's franchise area includes nine (9) municipalities in the province of Bukidnon, namely : Baungon, Malitbog, Libona, Manolo Fortich, Sumilao, Impasug-ong, Lantapan, Cabanglasan and Talakag; Malaybalay City and Barangay Lilingayon in the City of Valencia;

2. That, the Applicant has pending unapproved application before the Commission for the approval of the following Capital Expenditure Projects for the years 2017-2019;

CAPEX Projects	TOTAL	Remarks
A. Projects that intends to address capacity inadequacy		
<i>Construction of 9.2 km 69 kV Line from Damilag to Laturan and Installation of 10 MVA Substation at Laturan, Libona</i>	98,786,406.04	<i>Not Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022</i>
Installation of Additional 10 MVA Power Transformer at Damilag Substation and Construction of 1.845 km 34.5 kV Line	49,166,403.00	Implemented; awaiting for ERC approval
<i>Construction of 7.923 km 69 kV Line from Casisang to Kalasungay and Installation of 10 MVA Substation at Kalasungay, Malaybalay City</i>	94,726,652.88	<i>Not Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022</i>
Installation of 10 MVA Additional Capacity at Lunocan Substation	41,439,944.05	Implemented; awaiting for ERC approval
<i>Member-Consumer-Owner Requests for Line Rehabilitation and Expansion</i>	272,363,068.20	<i>Not Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022</i>
Construction of 1.5 km 69kV line from Bliss to Lingion	7,583,463.35	Implemented; awaiting for ERC approval
B. Projects that are intended to improved safety		
PDC and PGC Compliance (Required Equipment)	12,179,310.00	Implemented; awaiting for ERC approval
Replacement of Dilapidated Poles	44,961,419.61	Implemented; awaiting for ERC approval
C. Project that intends to reduce system's loss		
Relocation of Service Entrance, kW-hr Meters and Service Drops of Residential Customers	2,494,038.75	Implemented; awaiting for ERC approval
D. Other Network Projects		
Primary Metering of 54 Industrial Customers	13,897,455.04	Implemented; awaiting for ERC approval

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Procurement of Service Drop Wires	15,259,689.60	Implemented; waiting for ERC approval
Procurement of kWh Meters	62,948,601.30	Implemented; awaiting for ERC approval
Procurement of Distribution Transformer	61,566,577.80	Implemented; awaiting for ERC approval
Replacement of defective kWh meters	40,357,489.79	Implemented; awaiting for ERC approval
E. Non-network Projects		
Vehicle Augmentation Project	64,819,776.00	Partially Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022
Safety Equipment and Gadgets	29,364,686.87	Implemented; awaiting for ERC approval
Distribution Asset Labelling	15,940,662.87	Partially Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022
Lot Acquisition	20,400,000.00	Implemented; waiting for ERC approval
Building Improvements	18,633,171.48	Implemented; awaiting for ERC approval
SCADA and Integration Automation Projects	122,170,507.20	Partially Implemented; awaiting for ERC approval; Carried over to CAPEX 2020-2022
Electronics and Communications Automation Project	17,040,899.28	Implemented awaiting for ERC approval

3. That, the Applicant pursuant to ERC Resolution No. 26, series of 2009 seeks the review and approval of the Honourable Commission for the following proposed capital projects, their justifications and corresponding estimated costs:

CAPEX Projects	2020	2021	2022	TOTAL
A. Safety Projects				
Replacement of reclosers	15,579,200.00			15,579,200.00
Replacement of Damaged Control Panels and Cooling Fans and Refurbishment of Changzhou Power Transformer		12,590,750.00		12,590,750.00
Refurbishment of 10MVA Mobile Power Transformer - Pauwels	7,500,600.00			7,500,600.00

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Replacement of Dilapidated Poles	16,513,857.45	16,541,848.35	16,545,082.95	49,600,788.75
Member-Consumer-Owner Requests for Line Relocation	3,532,901.10	22,491,578.77	4,702,337.38	30,726,817.25
B. Capacity Projects				
Expansion of the Distribution System to the Talakag Area (Phase 1)			143,937,549.21	143,937,549.21
Expansion of Distribution Lines	22,370,177.91	21,468,738.44	8,255,198.44	52,094,114.79
Procurement of Distribution Transformers	19,520,672.29	21,190,985.40	22,640,802.50	63,352,460.18
Standard Connection Facilities	35,371,584.40	35,975,115.20	36,727,293.20	108,073,992.80
C. Power Quality Projects				
Installation of Voltage Regulators at Lantapan Feeder	1,895,058.06			1,895,058.06
D. Reliability				
Procurement of contingency materials	20,035,482.30	58,618,123.20		78,653,605.50
E. System Loss Projects				
Replacement of Defective kWh meters	14,466,226.36	14,466,226.36	14,466,226.36	43,398,679.08
Relocation of Service Entrance	1,738,291.80	1,738,291.80	1,738,291.80	5,214,875.40
Installation of Feeder Metering	12,806,144.55			12,806,144.55
F. Non-network Projects				
Communication Equipment	6,754,362.48	11,365,389.44	9,543,644.14	27,663,396.05
Transportation equipment	127,782,000.00	49,020,000.00	29,580,600.00	206,382,600.00
Periodic diagnostic testing of all Substations		7,946,250.00		7,946,250.00
Tools and Equipment	30,379,865.95	19,827,097.18	9,352,697.18	59,559,660.32
Safety gears and equipment	11,944,027.90	3,405,459.74	3,443,759.74	18,793,247.38
Land and Building	25,907,875.00	34,620,000.00	2,340,000.00	62,867,875.00
Structure and Improvements	372,300.00	3,606,089.56	1,738,084.00	5,716,473.56
Office furniture and equipment	40,438,451.04	31,669,076.18	28,348,666.65	100,456,193.86

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4. That, Applicant intends to finance the above mentioned capital projects partly by internally generated source through the Reinvestment Fund for Sustainable Capital Expenditure (RFSC), and part of the fund shall be sourced through a financing program from the National Electrification Administration (NEA), which for purposes of applying for authority to secure such loan, Applicant reiterates and incorporates herein all the foregoing allegations;
5. That, the implementation of the proposed Capital Projects shall bring forth an indicative rate impact as follows;

Indicative effect on the existing RFSC rate of BUSECO if no loans availed

	2019	2020	2021	2022	2023	2024	TOTAL
Forecasted energy sales, kWh	190,623,022.04	207,089,570.37	224,083,222.34	241,504,224.65	259,278,594.92	277,349,982.06	1,399,928,616.38
Cash balance beginning, PhP, excess/(shortfall)	34,247,142.57	126,820,760.66	(353,431,056.58)	(760,688,244.61)	(1,109,700,353.31)	(1,109,700,353.31)	(3,172,452,104.57)
CASH INFLOWS							
current year collection	187,339,159.24	203,522,038.34	220,222,940.67	237,343,831.37	254,812,002.57	272,572,073.92	1,375,812,046.11
50% of income on leased properties							-
loan proceeds from financial institutions, PhP							-
government subsidy							-
Total Cash Inflows, PhP	187,339,159.24	203,522,038.34	220,222,940.67	237,343,831.37	254,812,002.57	272,572,073.92	1,375,812,046.11
Available cash for disbursement	221,586,301.81	330,342,799.00	(133,208,115.91)	(523,344,413.24)	(854,888,350.74)	(837,128,279.39)	(1,796,640,058.46)
CASH OUTFLOWS							
CAPEX requirement	-	414,909,078.59	366,541,019.62	333,360,233.55			1,114,810,331.76
Rural electrification projects	-	-	-	-	-	-	-
new amortization (new CAPEX), PhP							-
amortization of approved CAPEX, PhP	94,765,541.14	260,503,699.50	260,939,109.09	252,995,706.52	235,891,112.73	220,048,616.74	1,325,143,785.72
amortization of old debts	-	-	-	-	-	-	-
ERC Permit Fee, PhP	-	8,361,077.49	-	-	-	-	8,361,077.49
Total Cash Outflows, PhP	94,765,541.14	683,773,855.58	627,480,128.70	586,355,940.07	235,891,112.73	220,048,616.74	2,448,315,194.97
Cash balance ending, PhP, excess/(shortfall)	126,820,760.66	(353,431,056.58)	(760,688,244.61)	(1,109,700,353.31)	(1,090,779,463.47)	(1,057,176,896.13)	(4,244,955,253.43)
Excess/(shortfall) on RFSC, PhP/kWh	0.6653	(1.7067)	(3.3947)	(4.5950)	(4.2070)	(3.8117)	(3.0323)

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*Indicative effect on the existing RFSC rate of BUSECO if loans is
availed @ 6.5% interest rate for 10 years*

	2019	2020	2021	2022	2023	2024	TOTAL
Forecasted energy sales, kWh	190,623,022.04	207,089,570.37	224,083,222.34	241,504,224.65	259,278,594.92	277,349,982.06	1,399,928,616.38
Cash balance beginning, PhP, excess/(shortfall)	34,247,142.57	126,820,760.66	(133,184,267.68)	(288,555,327.14)	(286,507,723.58)	(237,062,933.58)	(784,242,348.75)
CASH INFLOWS							
current year collection	187,339,159.24	67,123,905.56	215,304,214.71	411,592,027.50	441,884,620.15	472,683,414.18	1,795,927,341.34
50% of income on leased properties							-
loan proceeds from financial institutions, PhP	-	414,909,078.59	366,541,019.62	333,360,233.55			1,114,810,331.76
government subsidy							-
Total Cash Inflows, PhP	187,339,159.24	482,032,984.15	581,845,234.33	744,952,261.05	441,884,620.15	472,683,414.18	2,910,737,673.09
Available cash for disbursement	221,586,301.81	608,853,744.81	448,660,966.64	456,396,933.91	155,376,896.57	235,620,480.61	2,126,495,324.35
CASH OUTFLOWS							
CAPEX requirement	-	414,909,078.59	366,541,019.62	333,360,233.55			1,114,810,331.76
Rural electrification projects	-	-	-	-	-	-	-
new amortization (new CAPEX), PhP	-	58,264,156.91	109,736,165.08	156,548,717.42	156,548,717.42	156,548,717.42	637,646,474.25
amortization of approved CAPEX, PhP	94,765,541.14	260,503,699.50	260,939,109.09	252,995,706.52	235,891,112.73	220,048,616.74	1,325,143,785.72
amortization of old debts	-	-	-	-	-	-	-
ERC Permit Fee, PhP	-	8,361,077.49	-	-	-	-	8,361,077.49
Total Cash Outflows, PhP	94,765,541.14	742,038,012.49	737,216,293.79	742,904,657.49	392,439,830.15	376,597,334.16	3,085,961,669.22
Cash balance ending, PhP, excess/(shortfall)	126,820,760.66	(133,184,267.68)	(288,555,327.14)	(286,507,723.58)	(237,062,933.58)	(140,976,853.55)	(959,466,344.87)
Excess/(shortfall) on RFSC, PhP/kWh	0.6653	(0.6431)	(1.2877)	(1.1863)	(0.9143)	(0.5083)	(0.6854)

6. That, consistent with the requirement of the filing of applications for approval of capital projects, Applicant attached and made an integral part of this application further justifications, related and indispensable documents chronologically arranged and contained in Annex "B" hereof;

7. That, 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 the Applicant passed Resolution No. 19-04-15 series of 2019 approving the proposed CAPEX, copy of which is attached hereto as Annex "C";

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8. That the Applicant, 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 has been furnished to the Legislative Body of the Municipalities of Manolo Fortich, Libona, Baungon, Malitbog, Talakag, Sumilao, Impasug-ong, Lantapan, Cabanglasan, Bukidnon, and to the Legislative Body of the City of Malaybalay and Valencia as well as to the Legislative Body of the Province of Bukidnon where Applicant operates. Likewise, the Application was published in Mindanao Gold Star Daily, a newspaper of general circulation within the franchise area of the Applicant.
9. As proof of such compliance, certifications are issued by the Secretaries of the Legislative Bodies of the Local Government Units concerned, attached herewith as Annexes "D", "E", "F", "G", "H", "I", "J", "K", "L", "M", "N" and "O", respectively. Likewise, attached herewith as Annexes "P" and "Q" are the Affidavit of Publication executed by the General Manager of Mindanao Gold Star daily and the copy of newspaper containing the published Application.

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing, to approve the aforementioned capital projects of the Applicant.

It is further prayed, that while the application may not yet be heard or is pending evaluation by the Honorable Commission, to provisionally approve the capital projects intended for 2020 to 2022 in order that Applicant's power distribution, the quality of power and reliability of distributed power supply will not be adversely affected.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and evidentiary hearing on **10 July 2019 (Wednesday) at two o'clock in the afternoon (2:00 P.M.) at BUSECO's Principal Office in Tankulan, Manolo Fortich, Bukidnon.**

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 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 they 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 **CATHERINE P. MACEDA**, **ALEXIS M. LUMBATAN** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 14th day of June 2019 in Pasig City.


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