

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF THE  
PROPOSED CAPITAL  
EXPENDITURE PROJECTS  
FOR THE YEARS 2023 TO  
2025 WITH PRAYERS FOR  
THE ISSUANCE OF  
PROVISIONAL AUTHORITY  
AND TO SECURE LOAN  
FROM THE NATIONAL  
ELECTRIFICATION  
ADMINISTRATION (NEA)  
AND/OR FINANCING  
INSTITUTIONS**

**ERC CASE NO. 2022-034 RC**

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

*Applicant.*

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**Promulgated:**

May 30, 2022

**NOTICE OF VIRTUAL HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 May 2022, Bukidnon Second Electric Cooperative, Inc. (BUSECO) filed an *Application* dated 26 April 2022, seeking the Commission's approval of its proposed Capital Expenditure (CAPEX) projects for the years 2023 to 2025 with prayers for the issuance of provisional authority and to secure loan from the National Electrification Administration (NEA) and/or other financing institutions.

The pertinent provisions 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

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 2 of 7**

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Fortich, Bukidnon, and may be served by the processes of this Honorable Commission through its General Manager, Cristopher A. Dulfo and President Rev. Fr. Danilo T. Paciente, whose joint authority is hereto attached as Annex "A" and made an integral part of this Application.

2. That, the National Electrification Administration (NEA) has granted the Applicant its franchise area which 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;
3. That, the Applicant has pending unapproved application for the approval of its Capital Expenditure Projects for the years 2017 to 2019 and for the years 2020 to 2022 before the Commission;
4. That, pursuant to ERC Resolution No. 26, series of 2009. the Applicant seeks the review and approval of the Honourable Commission for the following proposed capital projects for the years 2023 to 2025, with the total approximate costs amounting to Nine Hundred Seventy-Five Million Six Hundred Seventy-Two Thousand One Hundred Fifteen and 61/100 Pesos (Php975,672,115.61)

No.	Proposed Project	2023	2024	2025	Total
1	Construction of 69kV Switch Yard and switching facility for load transfer at Bliss, Lingi-on and Lunocan Substation	-	7,001,387.35	20,366,700.00	27,368,087.35
2	Installation of Power Circuit Breaker at the 69kV line: Aglayan-Casisang, Lunocan-Damilag, Bliss-Lunocan, Bliss-San Vicente	-	-	31,456,526.20	31,456,526.20
3	Replacement of Dilapidated Poles	30,852,251.75	34,169,163.00	35,318,624.40	100,340,039.15
4	Relocation of Obstructing Distribution Lines	3,610,146.45	2,819,270.94	344,036.44	6,773,453.83
5	Upgrading of Distribution Line Protective Equipment	4,200,000.00	2,800,000.00	-	7,000,000.00
6	Lunocan Substation Capacity Augmentation Projects	98,962,844.16			98,962,844.16
7	Construction of additional 13.2kV line feeder dedicated for existing and incoming industrial customers	-	18,517,522.15	-	18,517,522.15
8	Replacement of Defective Capacitor Banks	420,810.00	420,810.00	-	841,620.00
9	Extension of Distribution Lines	21,766,230.52	22,768,499.47	25,778,882.48	70,313,612.47
10	Procurement of Distribution Transformers	-	5,952,310.00	12,665,645.00	18,617,955.00
11	Procurement of Standard Connection Facilities	61,915,709.30	65,071,262.60	68,652,146.80	195,639,118.70
12	Replacement of Instrument transformers at Aglayan Substation	-	-	3,170,280.00	3,170,280.00
13	Procurement of Substation Metering Facilities	2,220,000.00	-	-	2,220,000.00
14	Rehabilitation of Consumer Metering Facility	2,852,928.00	1,109,178.00	1,111,203.00	5,073,309.00
15	Replacement of Defective kWh Meters	20,336,195.57	20,336,195.57	20,336,195.57	61,008,586.71
16	Procurement of Contingency Materials	15,131,098.00	-	3,416,930.00	18,548,028.00

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 3 of 7**

17	Diagnostic Testing of Substations	1,622,000.00	1,777,000.00	1,622,000.00	5,021,000.00
18	Procurement of Safety Gears and Equipment	11,238,227.11	8,626,783.20	5,966,033.20	25,831,043.51
19	Procurement of Communication Structures and Equipment	3,500,740.88	5,103,110.35	1,755,848.02	10,359,699.25
20	Procurement of Transportation Equipment	34,240,200.00	21,280,200.00	13,560,700.00	69,081,100.00
21	Procurement of Tools	35,559,827.78	17,272,570.00	3,842,341.37	56,674,739.15
22	Land and Building Improvements	20,772,875.00	-	-	20,772,875.00
23	Structural Renovations and Improvements	10,252,276.12	3,933,615.57	1,495,372.41	15,681,266.10
24	Procurement of Office Furnitures and Equipment	50,039,211.88	26,295,347.12	30,064,850.88	106,399,409.88
<b>Total</b>		<b>429,493,572.52</b>	<b>265,254,227.32</b>	<b>280,924,315.77</b>	<b>975,672,115.61</b>

5. That, consistent with the requirement of the filing of applications for approval of capital projects, Applicant attaches and makes an integral part of this application further justifications, related and indispensable documents chronologically arranged and contained in Annex "B" hereof;
6. That, the 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;
7. That the need for the timely implementation of the foregoing proposed capital Expenditure Projects is imperative to ensure safety, quality of service and compliance with the power industry's regulatory requirements;
8. Unfortunately, the current rate of the Reinvestment Fund for sustainable CAPEX (RFSC) of BUSECO is not enough to finance the proposed Capital Expenditure projects, as shown by the following;

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

	2022	2023	2024	2025	TOTAL
Forecasted energy sales, kWh	240,618,828.43	282,193,212.76	294,921,766.71	308,211,618.36	1,125,945,426.27
Cash balance beginning, PhP, excess/(shortfall)	3,059,427.64	(17,547,014.68)	(444,868,498.68)	(689,784,521.85)	3,059,427.64
<b>CASH INFLOWS</b>					
current year collection	59,743,730.15	70,066,317.18	73,226,715.30	76,526,479.15	279,563,241.78
Total Cash Inflows, PhP	59,743,730.15	70,066,317.18	73,226,715.30	76,526,479.15	279,563,241.78
Available cash for disbursement	62,803,157.79	62,803,157.79	52,519,302.50	(371,641,783.38)	282,622,669.42
<b>CASH OUTFLOWS</b>					
CAPEX requirement	-	429,493,572.52	265,254,227.32	280,924,315.77	975,672,115.61
amortization of approved CAPEX, PhP	80,350,172.47	64,673,026.86	50,899,104.45	47,860,167.33	243,782,471.12
ERC Permit Fee, PhP	-	3,221,201.79	1,989,406.70	2,106,932.37	7,317,540.87
Total Cash Outflows, PhP	80,350,172.47	497,387,801.18	318,142,738.47	330,891,415.47	1,226,772,127.60
Cash balance ending, PhP, excess/(shortfall)	(17,547,014.68)	(444,868,498.68)	(689,784,521.85)	(944,149,458.18)	(944,149,458.18)
Excess/(shortfall) on RFSC, PhP/kWh	(0.0729)	(1.5765)	(2.3389)	(3.0633)	(0.8385)

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 4 of 7**

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

	2022	2023	2024	2025	TOTAL
Forecasted energy sales, kWh	240,618,828.43	282,193,212.76	294,921,766.71	308,211,618.36	1,125,945,426.27
Cash balance beginning, PhP, excess/(shortfall)	3,059,427.64	(17,547,014.68)	(72,801,827.47)	(145,357,244.76)	3,059,427.64
<b>CASH INFLOWS</b>					
current year collection	59,743,730.15	70,066,317.18	73,226,715.30	76,526,479.15	279,563,241.78
loan proceeds from financial institutions, PhP	-	429,493,572.52	265,254,227.32	280,924,315.77	975,672,115.61
Total Cash Inflows, PhP	59,743,730.15	499,559,889.70	338,480,942.62	357,450,794.92	1,255,235,357.39
Available cash for disbursement	62,803,157.79	62,803,157.79	482,012,875.02	265,679,115.15	1,258,294,785.03
<b>CASH OUTFLOWS</b>					
CAPEX requirement	-	429,493,572.52	265,254,227.32	280,924,315.77	975,672,115.61
new amortization (new CAPEX), PhP	-	57,426,901.31	92,893,621.44	130,455,564.13	280,776,086.87
amortization of approved CAPEX, PhP	80,350,172.47	64,673,026.86	50,899,104.45	47,860,167.33	243,782,471.12
ERC Permit Fee, PhP	-	3,221,201.79	1,989,406.70	2,106,932.37	7,317,540.87
Total Cash Outflows, PhP	80,350,172.47	554,814,702.49	411,036,359.91	461,346,979.60	1,507,548,214.47
Cash balance ending, PhP, excess/(shortfall)	(17,547,014.68)	(72,801,827.47)	(145,357,244.76)	(249,253,429.44)	(249,253,429.44)
<b>Excess/(shortfall) on RFSC, PhP/kWh</b>	(0.0729)	(0.2580)	(0.4929)	(0.8087)	(0.2214)

9. 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. 22-03-10 approving the proposed CAPEX, copy of which is attached hereto as Annex "C";
10. That, compliance with Section 2, Rule 6 of the ERC Rules of Practice and Procedure, the Applicant furnished copies of this Application together with all its annexes and accompanying documents 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.
11. 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", respectively. Likewise, attached herewith as Annexes "H" and "I" are the Affidavit of Publication executed by the General Manager of Mindanao Gold Star daily and the copy of newspaper containing the published Application.

**PRAYER**

WHEREFORE, foregoing premises considered, it is most respectfully prayed of this Honorable Commission, after due notice and hearing:

- a. To approve the aforementioned capital projects of the Applicant.

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 5 of 7**

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- b. To approve the application for authority to secure a loan with the National Electrification Administration (NEA) and/or other Private Financing Institution that will provide the least interest rate to the benefit of the member-consumers;
- c. To grant provisional authority for the implementation of the capital projects intended for 2023 to 2025, while the application may not yet be heard or is pending evaluation by the Honorable Commission, in order that Applicant's power distribution, the quality of power and reliability of distributed power supply will not be adversely affected.
- d. To authorize the recovery of the expenditures/cost incurred in the implementation of the aforementioned Capital Projects from the member-consumers;

Other reliefs just and equitable are likewise prayed for.

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution 09, Series of 2020<sup>1</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021 dated 17 December 2020 (ERC Revised Rules of Practice and Procedure):<sup>2</sup>

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>01 July 2022</b> (Friday) at two o'clock in the afternoon (2:00 P.M.)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and expository presentation
<b>08 July 2022</b> (Friday) at two o'clock in the afternoon (2:00 P.M.)	<b>Microsoft Teams</b>	Pre-trial Conference and presentation of evidence

Accordingly, BUSECO is hereby directed to host the virtual hearing at **BUSECO's principal office located at Manolo Fortich, Bukidnon**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community

<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 6 of 7**

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quarantine guidelines are observed at all times. Moreover, BUSECO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised 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, mailing address, and e-mail address of such person;

**ERC CASE NO. 2022-034 RC**  
**NOTICE OF VIRTUAL HEARING/16 MAY 2022**  
**PAGE 7 of 7**


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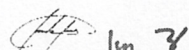
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at [www.erc.gov.ph](http://www.erc.gov.ph).

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

**WITNESS**, the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 16<sup>th</sup> day of May 2022 in Pasig City.

  
**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS/CNR/LSP/MCCG

