

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


**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO RETIRE
THE PALOMAR
SUBSTATION LOCATED AT
TONDO, MANILA AND TO
WITHDRAW FROM
SERVICE CERTAIN
EQUIPMENT AND
MACHINERY INSTALLED IN
SAID SUBSTATION, WITH
PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2016 - 158 RC

**MANILA ELECTRIC
COMPANY (MERALCO)**

Applicant.

X-----X

D O C K E T E D
Date: **OCT 21 2016**
By: 

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 02 August 2016, the Manila Electric Company (MERALCO), filed an Application for authority to retire the Palomar Substation located in Tondo, Manila, and to withdraw from service certain equipment and machinery installed in said substation, with prayer for provisional authority.

In the said Application, MERALCO alleged the following:

1. Applicant is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address indicated herein.

2. Applicant has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.
3. Applicant seeks for authority to retire the Palomar Substation and withdraw certain equipment and machineries in said substation.
4. The instant Application is filed pursuant to following:

- a. Distribution Services and Open Access Rules (DSOAR)

“1.7 No DU shall increase, substitute or withdraw from service any of its authorized equipment and machinery without the prior authority from the ERC, except in case of emergency whereby the ERC shall be notified not later than seventy-two (72) hours of such increase, substitution or withdrawal of authorized equipment. Provided, however, that the utility shall comply with the ERC’s application for retirement.”

- b. Amendments to DSOAR

“1.7.1

xxx

The DU may increase, substitute or withdraw from service its authorized equipment and machinery in accordance with the Rules for Approval of Regulated Entities’ Capital Expenditure Projects, RDWR and other ERC Rules. If such undertaking is not covered by the RDWR or other rules, authorization shall be secured from the ERC in accordance with pertinent provision of the Rules for Approval of Regulated Entities’ Capital Expenditure Projects.”

- c. Decision dated December 1, 2010¹ in ERC Case No. 2009-118 MC² and Decision dated December 12, 2011³ in ERC Case No.2010-146 RC⁴

In both Decisions, the Honorable Commission ruled that, “A perusal of evidence showed that the retirement of substations and withdrawal of the equipment and machineries installed therein will redound to the benefit of the consumers in terms of reliable and efficient power supply as mandated by Republic Act 9136, or the Electric Power Industry Reform Act of 2001 (Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power).”

BACKGROUND

5. The Palomar Substation is located at Tondo, Manila. The substation has two (2) - 12.5 MVA, 34.5 kV - 6.24 kV power transformer banks, which are both 56 years in service, and one (1) 61-yr old – 20 MVA 34.5 kV-13.8 kV and all of which have reached their standard asset lives.

¹ Decision, page 9.

“A perusal of the evidence herein showed that the retirement of the Morong-Morong, Gaya – Gaya and Mauban substations and withdrawal of the equipment and machineries installed therein in the accordance with MERALCO’s Conversion Program will redound to the benefit of the consumers in terms of continuous, reliable and efficient power supply as mandated by Republic Act 9136, or the Electric Power Industry Reform Act of 2001 (Section 2. Declaration of Policy– (b) “to ensure the quality, reliability, security and affordability of the supply of electric power).”

² In the Matter of the Application for Authority to Retire the Morong Substation located at Morong, Province Rizal, the Gaya-Gaya Substation located as San Jose Del Monte, Province of Bulacan and the Mauban Substation located at Mauban, Province of Quezon and to Withdraw from Service Certain Equipment and Machinery Installed in the said Substations, with Prayer for Provisional Authority.

³ Decision, page 9.

A perusal of the evidence presented herein showed that the retirement of substations in Cavite, Lucena II, Pagbilao, Forbes Park and Tondo as well as the withdrawal of the equipment and machineries installed therein, will redound to the benefit of the consumers in terms of continuous, reliable and efficient power supply as mandated by Republic Act 9136, or the Electric Power Industry Reform Act of 2001 (Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power.)”

⁴ In the Matter of the Application for Authority to Retire (1) The Cavite Substation located at Cavite City, (2) The Lucena II Substation located at Lucena City, Quezon Province, (3) Pagbilao Substation located at Pagbilao, Quezon Province, (4) Forbes Park Substation

6. Palomar Substation is one of the oldest MERALCO odd voltage substations (with voltage other than 34.5 kV or 13.8 kV) and is prone to flooding because of its location.
7. Applicant has programmed the gradual conversion of odd voltage systems (distribution system with voltages other than 34.5 kV or 13.8 kV) to the ultimate standardized 20 kV/34.5 kV (line-to-neutral/line to line) distribution voltage system within its franchise area. The voltage standardization will reduce technical system loss, improve flexibility and reliability of electric service by phasing out isolated odd voltage systems and minimize equipment inventory types. Applicant continuously implements its Conversion Program with the aim of having standard voltage systems for its entire franchise area.
8. Thus, Applicant seeks authority from the Honorable Commission to retire the Palomar Substation and withdraw from service the equipment and machinery installed therein in line with its conversion program.
9. The retirement of Palomar Substation will not have an adverse impact on the customers in Tondo, Manila area since the 13.8 kV system was converted to 34.5 kV and the 6.24 kV loads of Palomar Substation will be converted to 34.5 kV. The transfer of said loads will eliminate the redundant 34.5 kV-6.24 kV step-down stage.
10. The retirement of the power transformer banks and the complete conversion to 34.5 kV of circuits Palomar 15L and Palomar 18L, will result in technical system loss reduction of approximately 240,242 KWHR annually.
11. Currently, Palomar substation is part of Applicant's Regulatory Asset Base (RAB). Upon its retirement, some of the equipment and machinery will be reused for distribution services and others will be withdrawn from service. The total amount for equipment and machinery that will be withdrawn from service is Three Million Four Hundred Ninety Three Thousand Four Hundred Eighty Nine Pesos, (PhP3, 493,489)
12. In further support of the Application, attached hereto are the following documents
 - **Annex "A"** – Schematic Diagram showing the exact location of Palomar Substation and pictures thereof.
 - **Annex "B"**- Detailed List of Equipment and Machinery to be re-used and/or retired

in Palomar Substation, with corresponding specifications and values.

- **Annex "C"** –Load Simulation/study conducted on the effect of withdrawal from service of said equipment and machinery.

ISSUANCE OF PROVISIONAL AUTHORITY

13. The issuance of Provisional Authority is warranted under the circumstances considering that there is no reason to continue energizing the Palomar substation as the loads thereof may be transferred to adjacent source circuits. More importantly, the conversion of the loads of Palomar Substation to 34.5 kV will result in the reduction of technical system loss and improvement of the electric service by phasing out isolated odd-voltage system.
14. In further support of the Application and prayer for issuance of provisional authority, attached as **Annex "D"** is the Judicial Affidavit of Engr. Gerardo V. Lozada, Senior Manager and Officer of Applicant's Substation Asset Planning, Network Asset Planning Office

PRAYER

WHEREFORE, it is respectfully prayed to this Honorable Commission that: (1) Application for Retirement of Palomar Substation and withdrawal from service of equipment and machinery installed in said substation be **APPROVED**; and (2) Applicant be **ALLOWED** to re-use equipment in said substation that will not be retired.

Pending hearing, it is further prayed that a provisional authority be issued to Applicant.

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

The Commission has set the said Application for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **11 November 2016 (Friday) at two o'clock in the afternoon (2:00 p.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 and or comment thereon at any stage of the proceeding before the Applicant concludes the presentation of their 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 the Applicant, prior to the date of the initial hearing, that they be furnished with a copy of the Application. The Applicant is hereby directed to furnish all those making a request with copies of the Application and its attachments, subject to 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** 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 1st day of October 2016 in Pasig City.


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


LS: MCC/CLS/NJM