

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

**IN THE MATTER OF THE  
APPLICATION FOR THE  
APPROVAL OF EMERGENCY  
AND/OR URGENT MAJOR  
CAPITAL EXPENDITURE  
(CAPEX) PROJECTS**

**ERC CASE NO. 2016 - 161 RC**

**MANILA ELECTRIC  
COMPANY (MERALCO)  
Applicant.**

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**D O C K E T E D**  
Date: **NOV 17 2016**  
By: *[Signature]*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 15 August 2016, the Manila Electric Company (MERALCO) filed an Application for approval of the emergency and/or urgent major capital expenditure (CAPEX).

In the said Application, MERALCO alleged the following:

1. Applicant MERALCO 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. MERALCO 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. The Application is being filed pursuant to the Honorable Commission's Resolution No. 26, Series of 2009, entitled: "*Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects*". Emergency Capital Expenditure projects are those that require immediate implementation during an event that is not a force majeure or fortuitous event in order to maintain safe, reliable, secure and efficient operation of the power system.
4. However, for purposes of recovering the capital cost of the emergency project through the DU's rates, the same will go through the process of evaluation by the Honorable Commission during the regulatory reset of the DU, unless there is basis for a rate-reopening in the current regulatory period, in accordance with the Rules for the Setting of Distribution Wheeling Rates (RDWR) for DUs.

#### **DISCUSSION OF MERALCO'S EMERGENCY CAPEX PROGRAM**

5. MERALCO is part of the First Entry Group of distribution utilities that entered Performance Based Regulation ("PBR"). In its Final Determination dated 6 June 2011 in ERC Case No. 2010-069 RC, the Honorable Commission set out its final position on the price control arrangements that would apply to MERALCO for the Third Regulatory Period (3RP) covering the period from 1 July 2011 to 30 June 2015, including its approval of MERALCO's proposed Capital Expenditure (CAPEX) Program, for the said period.
6. The last year of MERALCO's Third Regulatory Period expired on 30 June 2015. The Fourth Regulatory Period (4RP) for the First Entry Group commenced on 1 July 2015 and will end on 30 June 2019. However, the Honorable Commission has not yet issued the relevant rules to govern the reset process and the filing by the DUs of their reset application.
7. As such, on 9 February 2015, MERALCO filed an application for the approval of its CAPEX program for Regulatory Year (RY) 2016. The said application was docketed as ERC Case No. 2015-016 RC.
8. On 10 April 2015, MERALCO filed an Urgent Motion for Issuance of a Provisional Authority ("Urgent Motion") dated 8 April 2015 requesting that it be allowed to

immediately implement its priority projects, the list of which was attached to said Urgent Motion.

9. On 15 April 2015, MERALCO filed a Motion of even date attaching a detailed list showing a further breakdown of the projects into business segments especially those that are shared by different business segments.
10. On 11 June 2015, MERALCO filed a Very Urgent Motion for Authority to Commence Implementation of RY 2016 Priority Projects with an attached list of the RY 2016 priority projects ("Very Urgent Motion").
11. On 2 September 2015, MERALCO again filed a Very Urgent Motion to Resolve, emphasizing the urgency to implement its CAPEX projects to ensure reliability and quality of service and avoid further delays.
12. On 4 February 2016, MERALCO filed a Manifestation, dated 2 February 2016, informing the Honorable Commission that in the interest of complying with its obligation to provide safe, adequate, reliable and efficient electric service to its customers, Applicant has implemented four (4) of its proposed major CAPEX projects for RY 2016.
13. On 1 April 2016, MERALCO filed another Manifestation of even date informing the Honorable Commission that in the pursuit of its obligation to provide safe, reliable and continuous electric service to its customers, MERALCO was constrained to implement additional priority CAPEX projects to address the need for capacity upgrades in order to avert multiple power interruptions to its customers and maintain a robust electric distribution infrastructure.
14. On 15 June 2016, MERALCO received a copy of the Decision dated 12 April 2016 which partially approved MERALCO's CAPEX program for RY 2016. However, the Honorable Commission also deferred the following projects, without prejudice to refiling:

<b>Project Code</b>	<b>Project Title</b>
MER-2	Expansion of Bagbaguin 115 kV-34.5 kV Substation (2nd Bank)
MER-4	Installation of 34.5 kV Metalclad Switchgear at Dasmariñas 83 MVA Power Transformer
MER-11	Rebuilding of Portion of Dasmariñas-FCIE 115kV Line
MER-13	Cut-in of Pinagbuhatan Switching Station

MER-14	Replacement of Power Transformer No.2 at Mandaluyong Substation
MER-15	Spare 83MVA 110 kV-34.5 kV-13.8 kV Power Transformer with OLTC for GIS Substation
MER-20	Acquisition of 115 kV Line and 115 kV Switchyard at the Navotas Fish Port Complex

15. In the light of said decision, Applicant hereby refiles the following as major emergency capital projects, to wit:

<b>Project Title</b>	<b>Cost (in PhP)</b>
Expansion of Bagbaguin 115 kV-34.5 kV Substation (2nd Bank)	162,580,219.00
Installation of 34.5 kV Metalclad Switchgear at Dasmariñas 83 MVA Power Transformer	68,161,085.00
Rebuilding of Portion of Dasmariñas-FCIE 115kV Line	75,913,229.00
Replacement of Power Transformer No.2 at Mandaluyong Substation	52,908,466.00

16. We note that these projects, while not emergency at the time of their original filing under ERC Case No. 2015-016 RC, have become critical and had to be immediately implemented as an emergency CAPEX in order to ensure continuous, safe and reliable electric service and compliance with safety and performance standards of the distribution system. More importantly, the immediate implementation of these projects averted emergency conditions or situations, and at the same time, provided the needed capacity intended for the forecasted growth of future electricity demand within MERALCO's franchise area.

17. In addition thereto, MERALCO is also refiling the following major capital projects.

<b>Project Title</b>	<b>Cost (in PhP)</b>
Cut-in of Pinagbuhatan Switching Station	58,635,873.00
Spare 83MVA 110 kV-34.5 kV-13.8 kV Power Transformer with OLTC for GIS Substation	46,443,027.00
Acquisition of 115 kV Line and 115 kV Switchyard at the Navotas Fish Port Complex	118,478,179.00

These projects are necessary to be acquired immediately in order to readily and quickly address contingencies requiring immediate response. The cut-in of Pinagbuhatan Switching Station project is intended to comply with the N-1 contingency and thus address system constraints and deficiencies. In the case of the spare power transformer, the same is urgently needed in order to have a ready replacement in the event of a failure of MERALCO's commissioned 83MVA power transformers. This will definitely prevent any prolonged and sustained power interruption in the event of a transformer failure. On the other hand, the acquisition of the 115kV line and switchyard at Navotas is urgently needed in order to have full control of such asset that are already part of MERALCO's distribution system.

18. In view of the foregoing, MERALCO is refiling the foregoing projects as Emergency/ Urgent Major CAPEX projects. It must be emphasized that MERALCO's customers benefitted from the implementation of these projects as the integrity and reliability of the distribution system was maintained.

Copies of the different Project Information Summaries with supporting documents: (a) Technical and Economic Analysis; (b) Cost Estimates; (c) Expenditure Summary; (d) Cost Benefit Analysis Calculation; and (e) Gantt Chart of the projects are attached herewith as **Annexes "A" and series** and made integral parts hereof.

19. In further support of the Application, attached hereto as **Annex "B"** is the Judicial Affidavit of Mr. Froilan J. Savet, Senior Assistant Vice-President and Head of MERALCO's Network Planning and Project Management Office.

#### **PRAYER**

**WHEREFORE**, it is respectfully prayed to this Honorable Commission that the instant Application be **APPROVED** and that the building block components associated with the foregoing Major CAPEX projects from the time the same are put in service and considered use and useful be recognized as a deferred amount to be included in MERALCO's subsequent regulatory reset calculations.

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 **09 January 2017 (Monday) at two o'clock in the afternoon (2:00 p.m.), at the ERC Hearing Room, 15<sup>th</sup> Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

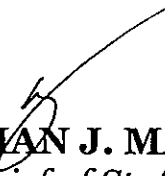
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating:

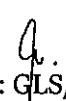
- (1) the petitioner's name and address;
- (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- (3) a statement of the relief desired.

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 9<sup>th</sup> day of November 2016 in Pasig City.

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

  
LS: GLS/NJM