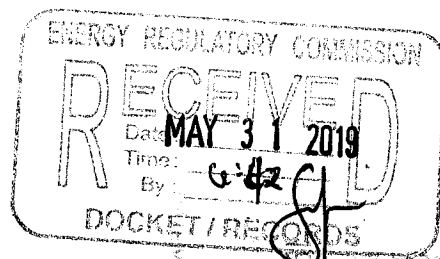


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

**IN THE MATTER OF THE
APPLICATION FOR AUTHORITY
TO IMPLEMENT THE
PROPOSED CAGBALETE
ISLAND MICROGRID
ELECTRIFICATION EXPANSION
CAPITAL EXPENDITURE
PROJECT, WITH PRAYER FOR
PROVISIONAL AUTHORITY,**



ERC CASE NO. 2019-041rc

**MANILA ELECTRIC COMPANY
(MERALCO),**

Applicant.

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APPLICATION

Applicant **MANILA ELECTRIC COMPANY (MERALCO)**, by counsel, respectfully states that:

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 Laguna, Quezon, Pampanga, and Batangas, including Cagbalete Island, pursuant to Republic Act No. 9209.

3. MERALCO seeks the Honorable Commission's approval to implement the Cagbalete Island Microgrid Electrification Expansion Project ("Project").

4. This Application is being filed pursuant to Section 20 (b) of Commonwealth Act No. 146, as amended, otherwise known as the

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Public Service Act, which requires any public service to seek the prior approval of the Honorable Commission before it can establish, construct, maintain, and operate new facilities or make any extension of its existing facilities.

5. Pursuant to Section 23 of Republic Act No. 9136, a distribution utility *“shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code. Any entity engaged therein shall provide open and non-discriminatory access to its distribution system to all users.”*

6. Moreover, the same Section 23 of Republic Act No. 9136 mandates that “[d]istribution utilities shall provide universal service within their franchise, over a reasonable time from the requirement thereof, including unviable areas, as part of their social obligations, in a manner that shall sustain the economic viability of the utility, subject to the approval by the ERC in the case of private or government-owned utilities.”

7. The Project is in line with the mandate of the administration of President Rodrigo Duterte, in keeping with the Philippine Development Plan (PDP) 2017-2022 of the National Economic and Development Authority (NEDA) and Section 2(c) of Department of Energy’s (DOE) Department Order No. DO2018-05-0010, to achieve one hundred percent (100%) electrification of the entire Philippine archipelago by 2022 as part of its program to spread the benefits of economic growth to stakeholders at the grassroots level.¹

A. BACKGROUND AND PROJECT RATIONALE

8. Cagbalete is a 1,640-hectare island composed of two (2) barangays namely, Cagbalete I and Cagbalete II, located in the middle of Lamon Bay that falls within the territorial jurisdiction of the Municipality of Mauban in the Province of Quezon. It forms part of MERALCO’s franchise area.

9. The provision of regular electric service to Cagbalete Island has been constrained by the lack of generation facilities on the island itself. Further, because of the strong currents around the water surrounding Cagbalete Island and its distance from the port of the Municipality of Mauban, it is currently not feasible and viable to install submarine cables and other facilities to connect Cagbalete Island to MERALCO’s distribution system.

¹ Lucas, Daxim L. (2016) ‘DOE aims for 100% electrification by 2020’, *Inquirer.Net*, 6 October 2016. Available at: <http://business.inquirer.net/216153/doe-aims-for-100-electrification-by-2020#ixzz5741jAXrU> (Accessed: 8 April 2019).

10. On May 2011, pursuant to Energy Regulation No. 1-94, otherwise known as the Rules and Regulations Implementing Section 5 (i) of Republic Act No. 7638 (Department of Energy Act of 1992), MERALCO facilitated the purchase and transfer of four (4) diesel powered generator units (two [2] 13kVA, one [1] 15kVA, and one [1] 5kVA) to a cooperative that was formed to be responsible for the operation and maintenance of said generating facilities, including billing and collection activities relative to the provision of electric service within the said island, under the guidance of the Barangay council.

11. However, at least in the case of Cagbalete Island, the arrangement of allowing the community to operate and maintain their source of electricity proved to be unsustainable. This is exemplified by the fact that, as of October 2015, all of said generator units turned-over to the community were already found defective.

12. With this experience, MERALCO explored other possible options of energizing remote and unviable areas. One of the options considered is the use of a hybrid microgrid system. Relevant to this, MERALCO decided to implement a pilot project which promotes the use of hybrid microgrids for the electrification of households located in remote islands and far-flung areas, such as Cagbalete Island.

13. A Microgrid, as defined by the US Department of Energy, is a "group of interconnected loads and distributed energy resources with clearly defined electrical boundaries that acts as a single controllable entity with respect to the grid and that connects and disconnects from such grid to enable it to operate in both grid-connected or island mode."² The key components of a microgrid include Distributed Energy Resources (DER) (can be conventional or non-conventional), Battery Energy Storage System (BESS), μ EMS, and grid interconnection facility.

14. MERALCO's pilot project used a hybrid generation system using solar photovoltaic panels, diesel generators, lithium-ion battery storage, and intelligent controller as main components.

15. On 16 January 2019, MERALCO wrote a letter to update the Honorable Commission on its pilot implementation in Cagbalete Island and relayed that the generation plant has been completed and that the installation of the distribution network is on-going. Attached

² Ton, Dan T. and Smith, Merrill A. (2012), The U.S. Department of Energy's Microgrid Initiative [Electronic version]. The Electricity Journal, 25(8), 84-94. Retrieved on 8 April 2019 at: <https://www.energy.gov/sites/prod/files/2016/06/f32/The%20US%20Department%20of%20Energy%27s%20Microgrid%20Initiative.pdf>.

hereto as **Annex "A"** is a copy of MERALCO's letter dated 16 January 2019.

16. While MERALCO is ready and able to commercially operate the pilot project, the same is still awaiting the release of the necessary documentary requirements, such as the Renewable Energy Service Contract (RESC) and Certificate of Endorsement (COE) to be issued by the Department of Energy (DOE).

17. At present, a majority of Cagbalete Island's residents are reliant to households that have access to electricity, through privately-owned diesel generator units or solar home systems, selling at an exorbitant rate of as much as Ph55/kWh for a mere seven (7) hours of service per day.

18. However, despite access to electricity, the power quality in the island is low due to high voltage drops and overloading of diesel generator units.

19. Furthermore, residents in Cagbalete Island who are not covered by the pilot project have been clamoring for the immediate expansion of the microgrid system to completely energize the entire island.

20. Given the foregoing backdrop, it is imperative for MERALCO to expand its pilot project to be able to completely energize all the residents and commercial establishments in Cagbalete Island.

21. The Project will utilize a scaled-up hybrid generation system by similarly using solar photovoltaic panels, diesel generators and lithium-ion battery storage as main components.

22. The estimated cost of the Project is **TWO HUNDRED NINETEEN MILLION SIXTY-ONE THOUSAND AND SEVENTY FOUR & 40/100, Philippine Currency (PhP219,061,074.4)**.

23. Attached as **Annex "B"** and made an integral part hereof is the Project Justification for the proposed Cagbalete Island Microgrid Electrification Expansion Project, which document includes a more detailed description of the Project.

24. Upon approval and implementation of this Project, MERALCO shall charge the current ERC-approved rates to the customers in Cagbalete Island. These rates consist of generation, transmission, and other charges including the blended distribution, supply, metering charges.

B. URGENT NEED TO ISSUE PROVISIONAL AUTHORITY

25. There is an urgent need for a provisional authority to be issued to allow MERALCO to immediately start the project, which is estimated to take around eight (8) months. This is necessary in order to meet the target project completion set on December 2019, and thus, allow the residents of the said island to fully enjoy and reap the benefits of the much awaited safe and reliable provision of electric service in Cagbalete Island, at the soonest possible time, consistent with the mandate of the national government.

26. The necessary activities to implement the Project, considering the magnitude, include: procurement of materials, detailed engineering design, site development, lot acquisition and civil works, installation, testing and commissioning of diesel generators, battery storages and solar PV, among other things. MERALCO cannot start any of the preparatory activities without the necessary approval of the Honorable Commission.

27. Most importantly, the benefits that will be achieved by this Project will bolster the economic potential and growth of the various industries in Cagbalete island and will promote the vast untapped potential of the island as an eco-tourism destination that has been left largely underdeveloped due to the lack of electric service which has proven to be its lynchpin.

28. Accordingly, pending final approval, there is an urgent need for a provisional authority for MERALCO to immediately implement the Project. In support of the prayer for the grant of a provisional authority, attached as **Annex "C"** is the Judicial Affidavit of Mr. Benjamin G. Nolasco, Assistant Vice-President and Head, HMB – South Business Area.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for Authority to implement MERALCO's proposed Cagbalete Island Microgrid Electrification Expansion Project be **APPROVED**, and MERALCO be allowed to charge the Honorable Commission's approved rates consisting of generation, transmission, and other charges including the blended distribution, supply, metering charges to the residents of Cagbalete Island.

Pending approval, MERALCO further prays for the immediate issuance of a provisional authority or interim relief to allow MERALCO

to implement the Cagbalete Island Microgrid Electrification Expansion Project.

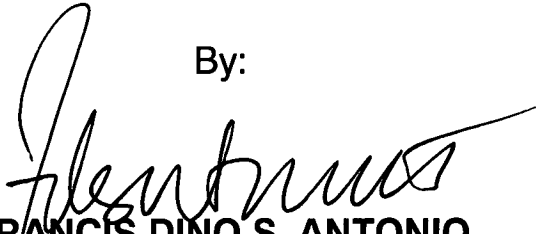
Applicant MERALCO prays for such other relief as are deemed just and equitable under the premises.

Pasig City, 29 May 2019.

MANILA ELECTRIC COMPANY

Lopez Building, Ortigas Avenue
Barangay Ugong, Pasig City

By:



FRANCIS DINO S. ANTONIO

Roll of Attorneys No. 48145

PTR No. 5229236; 1/9/19; Pasig City

IBP No. 66245; 1/9/19; RSM

MCLE Compliance No. VI-0003791; 3 November 2017

HAZEL ROSE B. SEE

Roll of Attorneys No. 48265

PTR No. 5229237; 1/9/19; Pasig City

IBP No. 06460(LIFETIME); 01/16/07; QC

MCLE Compliance No. VI-0000253; 11 July 2016



ADRIAN REX C. DIMALANTA

Roll of Attorneys No. 61149

PTR No. 5229240; 1/9/19; Pasig City

IBP No. 66248; 1/9/19; PPLM

MCLE Compliance No. VI-0000233; 11 July 2016




ISAGANI C. CORUÑA II

Roll of Attorneys No. 63123

PTR No. 5229243; 1/9/19; Pasig City

IBP No. 66250; 1/9/19; RSM

MCLE Compliance No. VI-0007787; 6 April 2018


EDGAR MICHAEL C. ROBLES
Roll of Attorneys No. 62413
PTR No. 5312069; 01-21-19; Pasig City
IBP Lifetime No. 011798
MCLE Compliance No. VI-0000249; 11 July 2016

7th Floor, Lopez Building
Ortigas Avenue, Barangay Ugong, Pasig City
Tel no. 1622-2260; Fax No: 1622-3550

Republic of the Philippines)
Pasig City)) S.S.

VERIFICATION and CERTIFICATION OF NON-FORUM SHOPPING

I, **JOSE RONALD V. VALLES**, of legal age, married, and with office address at Manila Electric Company (MERALCO), 7th Floor, Lopez Building, MERALCO Center, Ortigas Avenue, Barangay Ugong, Pasig City, hereby state under oath that:

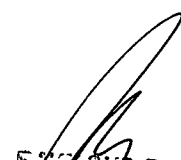
1. I am the Vice-President and Head of the Regulatory Management Office of Manila Electric Company, and is authorized to represent it in this Application as per the attached Secretary's Certificate (**Annex "D"**);
2. I have caused the preparation of the instant Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records made available to me;
3. I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
4. Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 29th day of May 2019 at Pasig City, Philippines.


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this 29th day of May 2019, at Pasig City, Philippines, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 123 ;
Page No. 32 ;
Book No. III ;
Series of 2019.


NOTARY PUBLIC
Notary Public
Pasig, San Juan and Pateros
Issued on February 11, 2019 at Pasig City
Appointment No. 104 (2019-2020)
Roll No. 55859 / ISE No. 66249; 1/9/19; Capiz Chapter
PTR No. 5223241; 1/9/19; Pasig City
7th Floor, Lopez Bldg., Ortigas Ave., Pasig City