

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

**IN THE MATTER OF  
THE APPLICATION FOR  
THE APPROVAL OF  
THE CONTINGENCY  
PROJECT FOR THE  
RELOCATION OF  
ELECTRICAL  
FACILITIES IN  
CONNECTION WITH  
THE  
IMPLEMENTATION OF  
VARIOUS BBB  
PROJECTS OF THE  
DEPARTMENT OF  
TRANSPORTATION  
(DOTr),**

**ERC CASE NO. 2019-090 RC**

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

**X ----- X**

Regulated:  
**JAN 22 2020**

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 12 December 2019, Manila Electric Company (MERALCO) filed an *Application* dated 10 December 2019, for the approval of its contingency project for the relocation of electrical facilities in connection with the implementation of various Build Build Build (BBB) projects of the Department of Transportation (DOTr) (*Application*).

MERALCO alleged the following in its *Application*;

1. Applicant is a private corporation 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 at its principal office address or through its counsel at the address indicated herein.

2. Applicant has a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities/municipalities/barangays in Batangas, Quezon, Pampanga and Laguna pursuant to Republic Act No. 9209, and is authorized to charge all its customers for their electric consumption at the rates duly approved by the Honorable Commission.
3. Applicant seeks the Honorable Commission's approval of its various Contingency Capital Projects to relocate electric facilities that will be affected by the following projects of the Department of Transportation ("DOTr Projects", for brevity) under the Build Build Build Program ("BBB Program") of the current Administration:
  - a. Common Station Project ("CS")
  - b. Metro Manila Subway Project – Phase 1 ("MMSP")
  - c. North-South Commuter Railway System, composed of:
    - i. PNR North 1 (Tutuban-Malolos) ("PNR N1")
    - ii. PNR North 2 (Malolos-Clark) ("PNR N2")
    - iii. PNR South Commuter (Solis-Calamba) ("PNR SC")
  - d. PNR South Long Haul (Manila-Sorsogon, Batangas) ("PNR SLH")
4. The instant Application is filed pursuant to Section 3.6 of the ERC Resolution No. 26, Series of 2009, entitled: "*A Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditures Projects*", which provides that:

**"Section 3.6 Contingency Capital Expenditure**

These are expenditures that may occur at any given period which may be resulting from the implementation of national government policies and initiatives and/or implementation of local government development programs. A regulated entity shall file a formal application sixty (60) days from the start of implementation of such projects. x x x"

**A. BACKGROUND AND RATIONALE**

5. The Administration of President Rodrigo R. Duterte underlined the importance of infrastructure as a prime mover to bolster the country's socioeconomic development.
6. To usher in the so-called "Golden Age of Infrastructure", the Duterte Administration crafted the BBB Program, which identified the projects that will be undertaken by the government to fill the country's huge infrastructure deficit.

7. The DOTr Projects are part of the BBB Program, and are thus of national economic importance as they will directly redound to the benefit of the riding public and the Filipino community in general.
8. However, Applicant has existing electrical sub-transmission and distribution facilities, which include wires, transformers, poles, and other appurtenances in Metro Manila and the provinces of Bulacan and parts of Batangas, Laguna, Quezon and Pampanga that may be affected by the DOTr Projects.
9. The agreements between the Applicant and DOTr regarding the relocation of Applicant's affected facilities that sets out their respective rights and obligations, including the payment arrangement for the cost of relocation, are contained in the Memorandum of Agreement ("MOA") between Applicant and DOTr, which was executed on 07 May 2019. The MOA is attached hereto as Annex "A".

**B. PROJECT SUMMARY**

10. The instant Application covers MERALCO's electric facilities that will be affected by the DOTr Projects.
11. The DOTr Projects will affect one hundred fifty-four (154) Distribution circuits and eighteen (18) sub-transmission circuits, with a total conductor length of 47,520 m and 717,290 m, respectively (the "Affected Facilities"). The DOTr Projects will also involve approximately ten thousand three hundred seventy-two (10,372) poles based on the preliminary design. It is submitted that the total number of Applicant's facilities that will be affected by the implementation of the DOTr Projects could still vary pending their completion.
12. The DOTr Projects shall be implemented by MERALCO in phases through the relocation of the affected electrical facilities to give way to the construction work to be done. Thereafter, Applicant shall permanently install poles and electrical facilities in the space with corresponding rights-of-way ("ROW") to be provided by the Philippine National Railways ("PNR").
13. The relocation of said facilities shall use a combination of overhead bare conductors and spun cables on concrete poles, and underground construction using horizontal direction drilling and power cables as prescribed by DOTr.
14. The total preliminary design cost to relocate the Affected Facilities as a result of the implementation of the DOTr Projects are as follows:

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<b>RELOCATION PROJECT<sup>1</sup></b>	<b>PRELIMINARY DESIGN COST (Exclusive of VAT)</b>
1. PNR North 1 (North-South Commuter Rail or NSCR, Malolos-Tutuban)	<b>PHP 1,443,865,187.72</b>
2. PNR North 2 (Malolos-Clark)	<b>PHP 310,322,731.11</b>
3. PNR South Commuter (NSCR, Manila - Los Baños)	<b>PHP 2,048,153,091.66</b>
4. PNR South Long Haul (Manila - Legaspi/ Matnog/Batangas)	<b>PHP 5,110,876,426.93</b>
5. Metro Manila Subway Project or MMSP	<b>PHP 1,002,775,327.83</b>
6. Unified Common Station Project	<b>Php 55,355,022.00</b>
<b>TOTAL</b>	<b>PHP 9,971,347,787.25</b>

15. The above costs associated with the relocation of Applicant's Affected Facilities shall be shouldered by the DOTr, with corresponding payments in phases as provided in the MOA. Furthermore, the timing for the implementation of the DOTr Projects are contingent, and shall be subject to the approval of the National Government's Budget under the 2019 General Appropriations Act (GAA) from which the budget of the DOTr for such Projects shall be taken.

16. Furthermore, in the relocation of the Affected Facilities, it is necessary that the Applicant shall, at the same time, perform activities that shall require the installation of distribution facilities needed to address reliability and load growth requirements ("MERALCO Projects"). The estimated total cost of the MERALCO Projects to be shouldered by Applicant and shall form part of its Capital Expenditure ("CAPEX") Program is shown in the following table:

<b>RELOCATION PROJECT</b>	<b>LUE OF MERALCO PROJECTS (Exclusive of 12% VAT)</b>
1. PNR North 1 (North-South Commuter Rail or NSCR, Malolos-Tutuban)	<b>PHP 660,218,979.94</b>
2. PNR North 2 (Malolos-Clark)	<b>PHP 152,953,957.23</b>
3. PNR South Commuter (NSCR, Manila - Los Baños)	<b>PHP 910,076,045.52</b>
4. PNR South Long Haul (Manila - Legaspi/ Matnog/Batangas)	<b>PHP 2,516,092,596.44</b>
<b>TOTAL</b>	<b>PHP 4,239,341,579.13</b>

17. It is necessary that the construction and implementation of the MERALCO Projects shall follow the schedule of the relocation of the Affected Facilities and that both be completed within their respective target dates, to avoid unnecessary costs and resources and ensure that the

<sup>1</sup> The relocation cost of the Common Station Project are still to be determined.

implementation of both the relocation of the Affected Facilities and the MERALCO Projects is economically viable and optimal.

18. Moreover, the relocation of the Affected Facilities would not have adverse impact on the existing customers in terms of reliability and quality of service provided by Applicant.
19. Due to the relocation of the Affected Facilities, MERALCO may be constrained to retire some of the Affected Facilities before the end of their respective useful lives. Considering this, Applicant proposes that it be allowed to recover the value of facilities that may be retired equivalent to their respective remaining economic life had they not been retired due to the DOTr Projects through accelerated depreciation or other any other mechanism that can account for the remaining value of the said facilities.
20. In support of the Application, attached hereto are the following documents:

<b>Annex</b>	<b>Description</b>
<b>"B"</b>	Project Description of the Contingency Projects in relation to the relocation of MERALCO's electric facilities that will be affected by the DOTr Projects as well as the corresponding MERALCO Projects, including the justification for the Projects in more detail, the various options considered by Applicant, project diagrams, Project timelines, and the cost estimate for the Projects.
<b>"C"</b>	Judicial Affidavit of Engr. Froilan J. Savet, Vice President and Head of Applicant's Network Planning and Design (NPD) Office

**PRAYER**

**WHEREFORE**, it is respectfully prayed to the Honorable Commission that Applicant's Contingency Project for the relocation of its electrical facilities in connection with the implementation of various DOTr Projects and the corresponding MERALCO Projects be **APPROVED** and that MERALCO be **ALLOWED** to recover the value of any Affected Facilities that may be retired, equivalent to their respective remaining economic life through accelerated depreciation or other any other mechanism that can account for the remaining value of the facilities that may be retired in the next Regulatory Reset of MERALCO.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **20 February 2020 (Thursday) at Nine o'clock in the morning (9:00 A.M.), 15<sup>th</sup> Floor, ERC Hearing Room, Pacific Center Building, San Miguel Ave., Pasig City.**

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 ERC 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 Applicants rest their case, subject to the requirements under Rule 9 of the 2006 ERC 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.

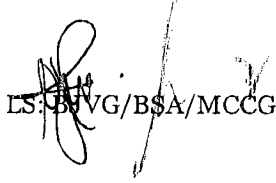
All such persons who wish to have a copy of the *Application* may request from Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject 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.

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**WITNESS**, the Honorable Chairperson and CEO, **AGNES VST DEVANADERA**, and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 17 January 2020 in Pasig City.

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

  
LS:BNVG/BSA/MCCG