

Republic of the Philippines
ENERGY REGULATORY COMMISSION '19 DEC 12 A11 :12
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),**

RECEIVED BY: _____ *W*

ERC CASE NO. 2019-090 RC

**MANILA ELECTRIC COMPANY
(MERALCO),**

Applicant.

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APPLICATION

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

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:

RELOCATION PROJECT¹	PRELIMINARY DESIGN COST (Exclusive of VAT)
1. PNR North 1 (North-South Commuter Rail or NSCR, Malolos-Tutuban)	PHP 1,443,865,187.72

¹ The relocation cost of the Common Station Project are still to be determined.

2. PNR North 2 (Malolos-Clark)	PHP 310, 322,731.11
3. PNR South Commuter (NSCR, Manila - Los Baños)	PHP 2,048,153,091.66
4. PNR South Long Haul (Manila - Legaspi/ Matnog/Batangas)	PHP 5,110,876,426.93
5. Metro Manila Subway Project or MMSP	PHP 1,002,775,327.83
6. Unified Common Station Project	Php 55,355,022.00
TOTAL	PHP 9,971,347,787,25

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:

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

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 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:

Annex	Description
"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.
"C"	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

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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.

Pasig City, 10 December 2019.

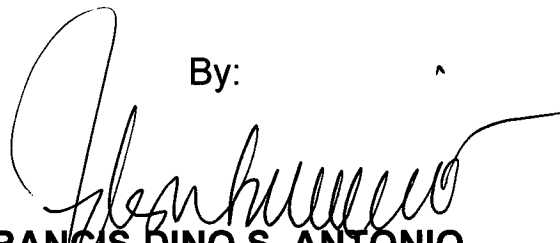
MANILA ELECTRIC COMPANY

Applicant

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By:



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MCLE Compliance No. VI-0003791; 3 November 2017



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MCLE Compliance No. VI-0000253; 11 July 2016



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REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)) S.S.

VERIFICATION/CERTIFICATION

I, **JOSE RONALD V. VALLES**, Filipino, of legal age and with office address at Lopez Building, MERALCO Center, Ortigas Avenue, Pasig City, after being sworn to in accordance with law, hereby depose and say, THAT-

1. I am the First Vice President and Head of the Regulatory Management Office of Manila Electric Company (MERALCO);

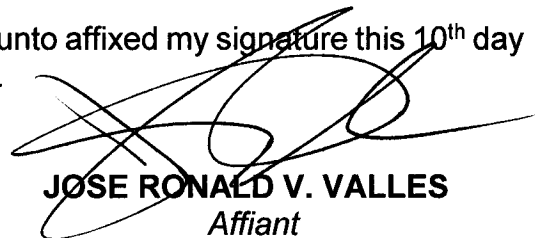
2. I caused the preparation of instant Application and I have read and understood the allegations contained therein; and that all the facts stated therein are true and correct based on authentic records made available to me in the ordinary course of business of MERALCO;

3. I am duly authorized by the Board of Directors to certify that MERALCO has not heretofore commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Petition and to sign this verification and certification is attached as **ANNEX "D"** and made an integral part hereof;

4. To the best of my knowledge, no such action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other tribunal or agency;

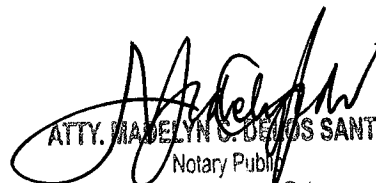
5. If I should hereafter learn that a similar action or proceeding has been filed or is pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 10th day of December 2019 at Pasig City, Philippines.


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this 10th day of December 2019, affiant exhibited to me his Social Security System ID bearing the number 33-10900088 issued in the Philippines.

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Book No. IV
Series of 2019.


ATTY. MADELYN C. DE LOS SANTOS
Notary Public
Pasig, San Juan and Pateros,
Issued on February 18, 2019 at Pasig City
Appointment No. 102(2019-2020)
Roll No. 64977/IBP No. 060140/09-Jan-19 RSM Chapter
PTR No. 5312076/21-Jan-19 Pasig City
MCLE VI-0025837-12-Apr-19
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City