

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

**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO IMPLEMENT
THE PROPOSED CAPITAL
EXPENDITURE PROGRAM
FOR REGULATORY YEAR
(RY) 2021, WITH PRAYER
FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2020-028 RC

**Promulgated:
November 3, 2020**

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

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NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 September 2020, Manila Electric Company (MERALCO) filed an *Application* dated 25 August 2020, seeking the Commission's authority to implement its Capital Expenditure Program for Regulatory Year (RY) 2021, with prayer for provisional authority.

The pertinent portions of the said *Application* are hereunder quoted as follows:

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, 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. Pursuant to Republic Act No. 9209, 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

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- cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga.
3. MERALCO is part of the First Entry Group of private distribution utilities that entered Performance Based Regulation ("PBR").
 4. Pending the regulatory reset for the Fifth Regulatory Period (1 July 2019 to 30 June 2023), MERALCO is filing the instant application for the approval of its Capital Expenditure (CAPEX) projects for implementation in Regulatory Year (RY) 2021 covering the period from 1 July 2020 to 30 June 2021. This is pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act, which requires any public service to seek the prior approval of this Honorable Commission before it can establish, construct, maintain, and operate new facilities or make any extension of its existing facilities. Primarily, these CAPEX projects are necessary to avert the foreseen emergency situations and ensure the reliable operation of its distribution network and continuous distribution service and connection to meet the growing needs of its about 6.9 million customers.
- A. BACKGROUND OF MERALCO'S RY 2021 CAPEX PROGRAM
5. MERALCO's RY 2021 CAPEX Program is geared towards providing reliable service to its customers by maintaining an adequate, safe, efficient, and viable distribution network, while providing the needed capacity to address the forecasted load growth within its franchise area. MERALCO's RY 2021 CAPEX Program is mainly driven by the following factors:
 - a. Adequate Infrastructure to Meet Growth in Peak Demand and Customer Connections

The distribution infrastructure must be sufficient to meet MERALCO's current and immediate requirements. MERALCO forecasts its customer base to expand to around 7.3 million and peak demand to grow to 7,801 MW by RY 2021. This increase in peak demand and customer count will require MERALCO to increase the capacity of the electric distribution system in order to continue accommodating customer connections, while maintaining the reliability and power quality of its distribution system. If no capacity augmentation project has been undertaken starting 1 July 2020, MERALCO would not be able to provide electric service to its existing and new customers.

- b. Renewal/Refurbishment Projects to Ensure Sustained Network Efficiency, Reliability and Power Quality

Capital expenditures are required to maintain existing assets so as not to degrade its network performance and customer service performance in the current regulatory year. The immediate implementation of these projects is not just

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imperative to say the least, but more so, critical as the reliability of MERALCO's electric distribution system in providing safe, reliable and adequate electric service is at risk.

c. Automation/Innovation/Technology

Automation/technology projects will further allow MERALCO to enhance its distribution network, allowing it to respond more effectively to line and network outages which will reduce service interruptions of customers.

d. Compliance to statutory and regulatory requirements.

Several RY 2021 CAPEX projects are likewise proposed in order to comply with various law, rules and regulations, including, among other things, compliance with: (a) Distribution Services Open Access Rules (DSOAR) on MERALCO's provision of the extension of lines and facilities for socialized housing initiatives of both public and private developers; and (b) Wholesale Electricity Spot Market (WESM) metering requirements.

e. Support for Government PPP Initiatives / BBB Program

The National Government has identified the implementation of Build Build Build (BBB) programs and projects as a cornerstone strategy of the national development plan to accelerate the infrastructure development of the country and to sustain economic growth. MERALCO would thus need to relocate and replace existing facilities so as not to hamper the construction and development of these critical BBB projects.

A detailed discussion on MERALCO's considerations and justifications in forecasting its RY2021 CAPEX Program is attached hereto as Annex "A" and made an integral part hereof.

B. LIST OF CAPEX PROJECTS

6. Taking into consideration the factors above, MERALCO hereby proposes the following thirty (30) very urgent major CAPEX projects for RY 2021:

PROJECT CODE	PROJECT NAME	TOTAL (P=₱)	ANNEX
MER-1	Development of ASEANA-1 115 kV-34.5 Kv GIS	486,836,651	"B-1"
MER-2	Development of Balagtas 115 kV-34.5 kV Substation	513,879,804	"B-2"
MER-3	Development of Real 115 kV-34.5 kV Substation	263,945,636	"B-3"
MER-4	Development of Sampaloc 115 kV-34.5 kV GIS Substation	428,065,094	"B-4"
MER-5	Development of Vermosa South 115 kV-34.5 kV Substation	481,794,120	"B-5"
MER-6	Expansion of Banawe 115 kV-34.5 kV GIS Substation (2nd Bank)	192,944,644	"B-6"

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MER-7	Expansion of Cainta 115 kV-34.5 kV Substation (3rd Bank)	239,602,579	"B-7"
MER-8	Installation of 83 MVA Power Transformer at Silang Substation	250,622,952	"B-8"
MER-9	Development of Antipolo 230 kV-115 kV Delivery Point Substation - Phase 1	382,563,238	"B-9"
MER-10	Development of Sta. Rita 230 kV-13.8 kV Delivery Point Substation	238,913,784	"B-10"
MER-11	Construction of Araneta-Mandaluyong-SM Shangrila 115 kV Line	268,750,182	"B-11"
MER-12	Reliability Improvement of Malinta Substation	170,818,975	"B-12"
MER-13	Uprating Portions of Saog-Veinte Reales-Malinta 115 kV Line	88,272,730	"B-13"
MER-14	Uprating of FCIE-TMC 2 115 kV Line	161,318,804	"B-14"
MER-15	Installation of 69 kV Capacitor Bank at Alipao Switching Station	31,109,505	"B-15"
MER-16	Installation of 115 kV Capacitor Bank at Cainta Substation	32,424,166	"B-16"
MER-17	Installation of 115 kV Capacitor Bank at Canlubang Substation	32,424,166	"B-17"
MER-18	Installation of 115 kV Capacitor Bank at Duhat Substation	32,424,166	"B-18"
MER-19	Relocation of MERALCO's Electrical Facilities Affected by the Construction of the National Government's Public-Private Partnership (PPP) Projects	253,600,000	"B-19"
MER-20	ADMS Software Renewal and Hardware Refresh	419,959,860	"B-20"
MER-21	Isla Verde Microgrid Electrification Phase 2 Project	264,921,201	"B-21"
MER-22	Replacement of Power Transformer at Dolores Bank 1	77,332,898	"B-22"
MER-23	Replacement of Power Transformer at Sta. Maria Bank 1	58,610,897	"B-23"
MER-24	SCADA-DAS Master Station Software Refresh	95,173,669	"B-24"
MER-25	Profitability and Cost Management (PCM) Migration	87,555,081	"B-25"
MER-26	Replacement of Post-Production Equipment	242,504,636	"B-26"
MER-27	Implementation of DNS (Domain Management System) Security	34,384,000	"B-27"
MER-28	OT Network Segmentation	75,000,600	"B-28"
MER-29	Implementation of Identity and Access Management System	55,976,305	"B-29"
MER-30	Construction of New Rizal Sector Administration Building	93,000,000	"B-30"

Copies of the detailed project justifications of the major projects under MERALCO's RY2021 CAPEX program are attached hereto as Annexes "B and Series" and made integral parts hereof.

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7. On the other hand, MERALCO's seventy-six (76) residual CAPEX projects, broken down by asset categories, are as follows:

PROJECT CODE	ASSET CATEGORY	TOTAL (PhP)	ANNEX
RES-1A	Structures and Improvements (Distribution Purposes)	6,525,307	"C-1"
RES - 1C.1	Structures and Improvements (Distribution Purposes)	51,882,151	"C-2"
RES - 1C.2	Structures and Improvements (Distribution Purposes)	2,750,000	"C-3"
RES - 2B	Power transformers	153,305,110	"C-4"
RES - 3A.1	Switchgear	12,537,252	"C-5"
RES - 3A.2	Switchgear	1,160,749	"C-6"
RES - 3B	Switchgear	114,538,926	"C-7"
RES - 3C	Switchgear	18,206,000	"C-8"
RES - 4A.1	Protective equipment	2,152,934	"C-9"
RES - 4A.2	Protective equipment	1,313,837	"C-10"
RES - 4B	Protective equipment	86,197,314	"C-11"
RES - 5B	Metering & control equipment	43,911,804	"C-12"
RES - 6A	Communications equipment	82,298,833	"C-13"
RES - 6B	Communications equipment	103,874,928	"C-14"
RES - 7A.1	Other station equipment	616,449	"C-15"
RES - 7A.2	Other station equipment	5,370,990	"C-16"
RES 7B	Other station equipment	59,904,205	"C-17"
RES - 8A.1	Poles, Towers and Fixtures - Distribution	213,090,689	"C-18"
RES - 8A.2	Poles, Towers and Fixtures - Distribution	964,606,451	"C-19"
RES - 8B	Poles, Towers and Fixtures - Distribution	1,553,244,913	"C-20"
RES - 9A.1	Overhead Conductors and Devices - Distribution	146,241,402	"C-21"
RES - 9A.2	Overhead Conductors and Devices - Distribution	439,007,176	"C-22"
RES - 9B	Overhead Conductors and Devices - Distribution	1,415,050,479	"C-23"
RES - 10B	Underground Conduits - Distribution	72,103,496	"C-24"
RES - 11A	Underground Conductors and Devices - Distribution	251,906,012	"C-25"
RES - 11B	Underground Conductors and Devices Distribution	71,284,478	"C-26"
RES - 12A.1	Distribution Transformers	223,032,187	"C-27"
RES - 12A.2	Distribution Transformers	2,384,486,018	"C-28"
RES - 12B	Distribution Transformers	310,681,941	"C-29"
RES - 13B	Power Conditioning Equipment	158,467,953	"C-30"
RES - 14B	Meters, Metering Instruments & Metering Transformers - Distribution	5,687,465	"C-31"
RES - 15A.1	Information technology equipment (distribution)	3,476,558	"C-32"
RES - 15A.2	Information technology equipment (distribution)	40,504,250	"C-33"
RES - 15B.1	Information technology equipment (distribution)	88,344,687	"C-34"

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RES - 15B.2	Information technology equipment (distribution)	10,893,662	"C-35"
RES - 16A	Street Lights and Signal Systems	50,038,877	"C-36"
RES - 16B	Street Lights and Signal Systems	325,360,070	"C-37"
RES - 17A	Structures and Improvements (non-network)	401,225,180	"C-38"
RES - 17B	Structures and Improvements (non-network)	183,150,480	"C-39"
RES - 17C	Structures and Improvements (non-network)	69,875,000	"C-40"
RES - 18B	Office Furniture and Equipment	21,248,733	"C-41"
RES - 19A	Transportation Equipment	106,175,000	"C-42"
RES - 19B	Transportation Equipment	344,315,000	"C-43"
RES - 20A	Tools, Shop and Garage Equipment	44,086,504	"C-44"
RES - 20B	Tools, Shop and Garage Equipment	121,123,974	"C-45"
RES - 21A	Laboratory Equipment	130,672,300	"C-46"
RES - 21B	Laboratory Equipment	68,831,300	"C-47"
RES - 22A.1	Information Systems Equipment (non-network)	180,654,045	"C-48"
RES - 22A.2	Information Systems Equipment (non-network)	50,992,000	"C-49"
RES - 22A.3	Information Systems Equipment (non-network)	150,000	"C-50"
RES - 22B	Information Systems Equipment (non-network)	356,124,054	"C-51"
RES - 22C	Information Systems Equipment (non-network)	23,042,986	"C-52"
RES - 23A	Communication Plant and Equipment	25,287,625	"C-53"
RES - 23B	Communication Plant and Equipment	52,616,850	"C-54"
RES - 23C	Communication Plant and Equipment	9,218,000	"C-55"
RES - 24A	Miscellaneous Equipment	36,111,256	"C-56"
RES - 24B	Miscellaneous Equipment	6,723,500	"C-57"
RES - 25C	Materials and Supplies (including spares)	15,643,048	"C-58"
RES - 26A	Overhead Conductors and Devices (Customer)	510,451,899	"C-59"
RES - 27A	Underground Conductors and Devices (Customer)	203,505,560	"C-60"
RES - 28A	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	852,494,127	"C-61"
RES - 28B	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	821,109,234	"C-62"
RES - 29A	Structures and Improvements (non-network)	45,364,000	"C-63"
RES - 29B	Structures and Improvements (non-network)	28,839,100	"C-64"
RES - 29C	Structures and Improvements (non-network)	97,597,920	"C-65"
RES - 30B	Office Furniture and Equipment	8,152,290	"C-66"

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RES - 31A	Transportation Equipment	48,698,000	"C-67"
RES - 31B	Transportation Equipment	26,100,000	"C-68"
RES - 32A	Laboratory Equipment	12,786,000	"C-69"
RES - 32B	Laboratory Equipment	2,843,413	"C-70"
RES - 33A	Information Systems Equipment	15,418,783	"C-71"
RES - 33B	Information Systems Equipment	225,246,915	"C-72"
RES - 34A	Communication Plant and Equipment	12,094,500	"C-73"
RES - 34B	Communication Plant and Equipment	6,325,000	"C-74"
RES - 35A	Miscellaneous Equipment	1,059,700	"C-75"
RES - 35B	Miscellaneous Equipment	2,539,113	"C-76"

Copies of the project justifications of the residual projects under MERALCO's RY2021 CAPEX program are attached herewith as Annexes "C-series" and made integral parts hereof.

8. In light of the resulting benefits of MERALCO's RY 2021 CAPEX Program in the overall service to the electricity consumers, MERALCO respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time the CAPEX is put in service and considered used and useful, should be considered as a deferred amount to be included in the calculation of MERALCO's next regulatory reset rates.
 9. The filing of the instant Application is without prejudice to the subsequent filing by MERALCO for any unforecasted or emergency CAPEX as the need therefor arises.
- C. URGENT NEED FOR ISSUANCE OF A PROVISIONAL AUTHORITY**
10. Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the distribution code⁴. It is emphasized that non-approval of the CAPEX projects for RY 2021 will severely hamper MERALCO's operations and severely affect its ability to deliver electric service to its customers. It is imperative for MERALCO to implement its very urgent RY2021 CAPEX projects starting 1 July 2020 for the expansion and rehabilitation of its network facilities through acquisition of new assets in order to ensure continuous delivery of reliable service and comply with safety, performance and other statutory/regulatory requirements, while addressing the growing needs of its about 6.9 million customers.
 11. Thus, pending final approval, there is an urgent need for a provisional authority to be issued in favor of MERALCO to allow it to immediately implement its proposed RY 2021

⁴ Republic Act No. 9136, Section 23, EPIRA Implementing Rules and Regulations, Rule 7, Section 4.

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CAPEX program. In support of the prayer for the grant of a provisional authority, attached as Annex "D" is the Judicial Affidavit of Engr. Froilan J. Savet, Head of MERALCO's Network Planning and Design.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for Authority to implement MERALCO's proposed Capital Expenditure (CAPEX) Program for Regulatory Year (RY) 2021 be APPROVED and that the building block components associated with the CAPEX Program from the time the CAPEX is put in service and considered used and useful be considered as a deferred amount to be included in the calculation of MERALCO's next reset rates.

Pending hearing, it is likewise prayed that a provisional authority be immediately issued authorizing Applicant MERALCO to implement its RY 2021 CAPEX Program.

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

The Commission hereby sets the instant *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **26 January 2021 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)**, through a virtual hearing using the **Microsoft Teams Application** as the online platform for the conduct thereof pursuant to Resolution No. 07, Series of 2020² dated 23 July 2020.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via electronic mail (e-mail) at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through

² A Resolution for the Transitory Implementation of Legal e-Processes Pending the Adoption of the Interim Guidelines Governing Electronic Application, Filings, and Virtual Hearings Before the Energy Regulatory Commission;

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legal.erc.gov.ph@gmail.com, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual 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, mailing address and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com, their Opposition or Comment thereon at least five (5) calendar days prior to the **initial** virtual hearing and 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, mailing address and e-mail 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 Applicant that they be furnished with the same prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, through any of the available modes of service, upon their agreement, 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. In the alternative, those persons who wish to have an electronic copy of the *Application* may request the Commission for the e-mail addresses of the Applicant by sending an e-mail to records@erc.gov.ph and records.erc.gov.ph@gmail.com, copy furnish the Legal Service through legal.erc.gov.ph@gmail.com. Nonetheless,


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any person may also access the *Application* as posted by the Commission in its official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearing by providing the Commission, thru legal.virtualhearings.erc.gov.ph@gmail.com, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearing.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 21st day of October 2020 in Pasig City.




AGNES VST DEVANADERA
Chairperson and CEO

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LS: RCP/LSP/MCCG