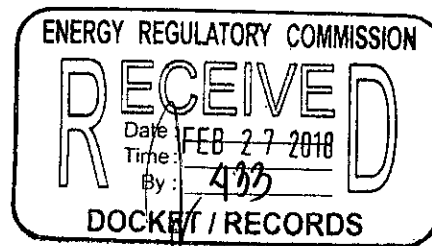


**REPUBLIC OF THE PHILIPPINES
ENERGY REGULATORY COMMISSION
Pacific Center Building
San Miguel Ave., Ortigas Center
Pasig City**



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF INTERIM CAPITAL
EXPENDITURE PROJECTS FOR
2017-2018, WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC Case No. 2018-009 RC

**CAGAYAN ELECTRIC POWER
AND LIGHT COMPANY, INC.,**

Applicant.

X ----- X

APPLICATION

Applicant, **CAGAYAN ELECTRIC POWER AND LIGHT COMPANY, INC. (CEPALCO)**, by and through the undersigned Firm, unto this Honorable Commission, most respectfully avers: That –

1. Applicant CEPALCO is a privately owned distribution utility, with principal office address at CEPALCO Administration Building, Fr. Masterson Avenue, Upper Balulang, Cagayan de Oro City. It operates a legislative franchise to maintain an electric distribution system in the city of Cagayan de Oro, and in the municipalities of Tagoloan, Jasaan and Villanueva, all in the Province of Misamis Oriental¹. A copy of Republic Act 9284 granting CEPALCO its franchise is hereto attached as **Annex "A"** to form an integral part hereof;

2. CEPALCO is one of the first entrants to the Performance Based Regulation (PBR) adopted by the Honorable Commission pursuant to Section 43 (f) of Republic Act 9136 or the EPIRA;

¹ Except the barangays of Baikingon, San Simon, Pagatpat, Tagpangi, Pagalungan, Taglimao, Tuburan, Pigsagan, Tumpagon, Bayanga, Mambuaya, Dansolihon, Tignapoloan, Besigan and a portion of Canitoan, all located in the City of Cagayan de Oro. [Republic Act No. 9284, Section 11]

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3. Pursuant to the Rules in Setting Distribution Wheeling Rates (RDWR), as updated for privately-owned distribution utilities entering PBR at First Entry Point, Applicant CEPALCO filed an Application for the Approval of its Annual Revenue Requirement (ARR) and Performance Incentive Scheme (PIS) for the Third Regulatory Period (3rd RP), covering the period 1 July 2011 to 30 June 2015. The Honorable Commission approved said Application in a Decision dated 6 June 2011 in ERC Case No. 2010-064 RC;

4. Under the PBR, capital expenditure (CAPEX) projects are included in the filing of the Annual Revenue Requirement application at the start of a Regulatory Period. Since the 3rd RP already expired, CEPALCO was supposed to have filed its ARR for the 4th RP, which would include its CAPEX projects;

5. However, the regulatory reset for the 4th RP covering the period July 2015 to June 2019 remains pending. Thus, Applicant CEPALCO previously filed an Application entitled "In the Matter of the Application for Approval of Interim Capital Expenditure Projects for 2015-2016 with Prayer for Provisional Authority" docketed as ERC Case No. 2016-143 RC for the approval of its CAPEX program for 2015 to 2016. The said Application is still pending final approval by the Honorable Commission;

6. Still without the regulatory reset, Applicant CEPALCO is filing the instant *Application* for its CAPEX projects for implementation in 2017 and 2018, pursuant to existing ERC Guidelines, particularly, Resolution No. 26, Series of 2009, entitled, "*Resolution Amending the Rules for Approval of Regulated Entities' Capital Expenditure Projects*", Resolution No. 18, Series of 2008, entitled "*Resolution Adopting the Rules for Approval of Regulated Entities' Capital Expenditure Projects*", and in relation with Section 43 (f) of Republic Act No. 9136;

I. PROPOSED PROJECTS

7. The undertaking of the capital expenditure projects for Applicant CEPALCO's network and non-network assets are driven by these factors:

a. *Load Growth*

Over the next ten years, Applicant CEPALCO expects the total peak demand of its electricity consumers to double, in the low-growth scenario, or to almost a triple, in the

high-growth scenario, from the present peak demand of about 199MW. A copy of its Load Forecast, showing Historical and Forecasted Demand is herewith attached to form an integral part hereof as Annex "B".

Because of this projected load growth, CEPALCO needs to upgrade and construct new Sub-transmission and Distribution Lines to ensure system capacity and acquire sub-transmission and distribution line materials and metering facilities to address the requirement of projected new customers.

Additional heavy and transportation equipment, office equipment, tools, and necessary facilities will also be acquired to cope with the increased operational requirement resulting from the expected increase in number and demand of customers.

Aside from coping with the forecasted load growth, these projects will also ensure compliance with regulatory requirements, and enhance voltage quality, reliability and efficiency of CEPALCO'S distribution system.

b. Automation/Communication and Information Technology

With the increasing size and capacity of CEPALCO's distribution system including customer service requirement, CEPALCO has to undertake improvement in the monitoring and control of facilities. Hence, as part of its capital expenditure program, it will implement automation and communication infrastructure projects and acquire new application systems. The implementation of advanced network systems, such as Smart Grid, also entails CEPALCO to embark on Enterprise Resource Planning and System Integration of Information Technology and Operational Technology (IT/OT) to ensure system interoperability, and enhance system reliability and performance.

c. Renewal/refurbishment

Some of the capital expenditure projects are undertaken to replace or refurbish existing assets due to technological obsolescence, physical condition and performance efficiency. This is to ensure quality and reliability of distribution system and customer service.

8. In due consideration of the foregoing factors, Applicant CEPALCO's proposed 2017-2018 CAPEX projects are as follows:

Project Code	Project Title/Asset Category	Project Cost		Total
		2017	2018	
NETWORK	A. Capacity/Network Expansion (Load Growth)			
AM016	Re-conductoring to 410 mm ² STACIR of 69kV Line from Tablon 69kV Switchyard to Savemove (Kauswagan)	57,000,000	30,398,413	87,398,413
AM017	69kV Tie-line between Camaman-an and Puntod Substation via Pimentel Drive	43,396,554	36,727,554	80,124,108
AR001	Short Lines to Connect the 69kV Switchyard in Tablon to CEPALCO's Distribution Network	27,826,344	-	27,826,344
AR002	Installation of Lightning Arresters	710,000	752,000	1,462,000
AR003	Meters and Accessories for New Connections	18,016,701	19,551,302	37,568,003
AR004	Distribution Transformers for Load Growth	12,568,711	18,067,678	30,636,389
AR005	S&D Materials for Line Extension	6,485,636	3,577,270	10,062,905
AR006	Construction of single-circuit 138kV line from Kirahon Switchyard to Wan Chong	-	12,940,888	12,940,888
	B. Renewal/Refurbishment			
AR007	Meter Changeout	20,347,160	-	20,347,160
AR008	Replacement of Aging Line Protective Devices	2,205,300	2,271,459	4,476,759
	S&D Materials for Maintenance:			-
AR009	Low Voltage Lines	64,199,740	55,859,608	120,059,348
AR010	Medium Voltage Lines	63,217,397	70,490,070	133,707,467
AR011	Meter Clustering	911,712	911,712	1,823,424
	C. Automation			
AR012	Automatic Circuit Reclosers for Feeder Automation	4,000,000	4,000,000	8,000,000
AR013	Communication Tower for MPC Balingasag.	-	1,000,000	1,000,000
Sub-total - Network		320,885,256	256,547,954	577,433,209

Project Code	Project Title/Asset Category	Project Cost		Total
		2017	2018	
INFORMATION COMMUNICATIONS TECHNOLOGY				
A. ICT Infrastructure Reliability				
AR014	Two Way Radio Upgrade	2,000,000	16,500,000	18,500,000
AR015	Back-up Data Center for SMART Grid	-	28,500,000	28,500,000
AR016	Corporate Communication Infrastructure	-	4,500,000	4,500,000
AR017	Data Center Components	900,000	15,000,000	15,900,000
AR018	Data Center Components	2,000,000	13,000,000	15,000,000
AR019	Active Network Components	3,500,000	7,300,000	10,800,000
AR020	Wireless Access Controller and Access Points	-	4,960,000	4,960,000
B. Information Security and Data Privacy				
AR021	Information Security Management Program	7,550,000	3,500,000	11,050,000
AR022	Information Systems Equipment	8,000,000	800,000	8,800,000
C. System Interoperability				
AR023	System Integration Infrastructure	5,690,180	5,800,000	11,490,180
D. Business Process Automation				
AR024	eCMS Queueing System	500,000	500,000	1,000,000
AR027	Remote Desktop Service Licenses	250,000	250,000	500,000
AR028	MS Project Online and Professional Licenses	-	3,000,000	3,000,000
AR029	ODI Server Replacement	-	5,000,000	5,000,000
AR030	Enterprise Resource Planning	4,600,000	74,848,829	79,448,829
AR031	Aerial Imagery (Development of GIS Landbase)	-	25,420,000	25,420,000
AR032	Web Portal (Web Facilities and Interfaces)	-	2,472,000	2,472,000
AR033	Database Appliance Upgrading	-	5,000,000	5,000,000
AR034	Microsoft Exchange	-	2,000,000	2,000,000
AR035	Wireless Communication Infrastructure	400,000	8,200,000	8,600,000
AR036	E. Others	6,820,000	5,770,000	12,590,000
Sub-total - ICT	42,210,180	232,320,829	274,531,009	

Project Code	Project Title/Asset Category	Project Cost		Total
		2017	2018	
NON-NETWORK				
	A. LOAD GROWTH			
AR037	Structures & Improvements	2,610,000	681,600	3,291,600
AR038	Office Furniture and Equipment	2,216,705	1,563,218	3,779,922
AR039	Transportation Equipment	11,296,000	41,699,000	52,995,000
AR040	Tools, Shop, Safety Gadget and Garage Equipment	2,078,163	20,703,712	22,781,875
AR041	Laboratory Equipment	-	4,700,000	4,700,000
AR042	Communication Plant & Equipment	307,668	260,800	568,468
AR043	Miscellaneous Equipment	7,651,311	20,849,718	28,501,030
	B. REPLACEMENT/REFURBISHMENT			
AR037	Structures & Improvements	4,140,000	6,893,000	11,033,000
AR038	Office Furniture and Equipment	8,310,674	5,829,282	14,139,956
AR039	Transportation Equipment	11,463,000	18,777,984	30,240,984
AR040	Tools, Shop, Safety Gadget and Garage Eqpt	1,396,596	1,084,764	2,481,360
AR041	Laboratory Equipment	500,000	-	500,00
AR042	Communication Plant & Equipment	190,193	54,400	244,593
AR043	Miscellaneous Equipment	410,215	1,331,630	1,741,845
Sub-total - Non network		52,570,524	125,679,109	178,249,633
CAPEX PERMIT FEE		3,117,495	4,599,734	7,717,229
TOTAL		418,783,454	617,897,626	1,036,681,080

9. The total cost of these projects is **PESOS: One Billion, Thirty Six Million, Six Hundred Eighty One Thousand and 80/100 (PhP1,036,681,080)**;

10. The long-term expansion program is aimed to improve system capacity, reliability, efficiency, and comply with safety requirements, as well as to meet the fast-growing demand of electricity in CEPALCO's franchise area. Thus, the implementation of these projects will enable Applicant CEPALCO to comply with its obligation to provide reliable and efficient service to its customers;

II. RATE IMPACT

11. The CAPEX Plan was designed to achieve reasonable and justifiable electricity rates, such that implementation of the proposed projects will have a reasonable rate impact of PhP0.1282/kWh. A detailed computation of the rate impact is herein attached as **Annex "C"**;

12. In support of the approval of the instant *Application*, the following documents are herewith attached to form integral parts hereof, to wit:

Annex	Document
"D"	Compliance With <i>ERC Resolution No. 17 Series of 2011, "Resolution Adopting the Investor Owned Distribution Utility Planning Manual"</i> . This manual provides guidelines on how investor-owned utilities should undertake planning of their sub-transmission and distribution networks and is intended to support the Revenue Application of DUs operating under PBR.
"E"	Summary of Proposed Capital Projects
"F"	Project Financing
"G"	Details or Justification of the 2017-18 Capital Projects including technical analysis, economic evaluation and other information.

III. COMPLIANCE WITH PRE-FILING REQUIREMENTS

13. Applicant manifests its compliance with the pre-filing requirements in accordance with the Implementing Rules and Regulations of the EPIRA and Rule 6 of ERC Rules of Practice and Procedure. Below are the documents as proof of its compliance:

Annex	Document
"H" and "H-1"	Proof of service of a copy of the Application and annexes to the local legislative bodies of the City of Cagayan de Oro and the Province of Misamis Oriental
"I"	Copy of newspaper of general circulation within CEPALCO's franchise area where the Application was published
"J"	Affidavit of Publication of Newspaper Editor



IV. ISSUANCE OF PROVISIONAL AUTHORITY OR INTERIM RELIEF

14. As stated above, due to the significant increase in the demand for electricity within its franchise area, CEPALCO needs to implement the foregoing projects as soon as possible so that additional capacity received from its power suppliers can be efficiently fed to its distribution system facilities for distribution to its customers;

15. The construction of the above capital projects takes time and requires long lead time for the ordering of electrical equipment, materials and other electrical hardware as well as finding electrical contractors who can implement the projects;

16. CEPALCO also has to seek long term loans or avail of credit facilities to finance the project;

17. In view thereof, CEPALCO needs a provisional authority so it can commence the implementation of the projects and enable it to complete the same in a timely manner. Attached as **Annex "K"** to form an integral part hereof is the Affidavit of Engr. Leonardo G. Gumalal, Senior Vice President and Head of CEPALCO's Engineering Services Division, to support herein Prayer for Provisional Authority or Interim Relief.

V. RESERVATION

18. The filing of the instant *Application* shall be without prejudice to Applicant CEPALCO's filing of any unforecasted or emergency CAPEX, as the need therefor arises.

PRAYER

WHEREFORE, in view of all the foregoing, it is most respectfully prayed of this Honorable Commission: That –

(a) Prior to and/or pending hearing on the merits, a **PROVISIONAL AUTHORITY** or **INTERIM RELIEF** be issued to Applicant CEPALCO for the immediate implementation of herein proposed Capital Expenditure Projects for 2017 to 2018; and



(b) After due notice and hearing, CEPALCO's Capital Expenditure Program for 2017 to 2018 be **DULY GRANTED**.

Other reliefs as may be just and equitable under the premises are, likewise, most respectfully prayed for.

Respectfully Submitted.

Pasig City. 08 January 2018

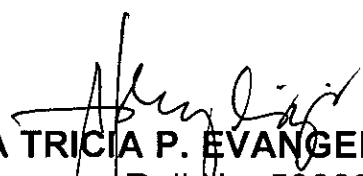
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By:


MARY ANN CASTRO DICCION-RECTO
Roll No. 43713

IBP Lifetime No. 03244/01.02.03/Quezon City
PTR No. 2540343/01.07.17/Pasig City
MCLE Compliance No. V - 0006757


ANNA TRICIA P. EVANGELISTA-DIZON
Roll No. 58063

IBP No. 1055060/12.28.16/RSM Chapter
PTR No. 2540341/01.07.17/Pasig City
MCLE Compliance No. V - 0011387


JOSHUA JAMES R. REYES
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IBP No. 1055061/12.28.16/Bulacan Chapter
PTR No. 2540342/01.07.17/Pasig City
Admitted to the Bar - June 2016

Republic of the Philippines)
City of Cagayan de Oro) S.S
x ----- x

**VERIFICATION AND
CERTIFICATION OF NON-FORUM SHOPPING**


I, **CHIQUITA C. CAPILI**, of legal age, with business address at CEPALCO Administration Building, Fr. Mastersons Ave., Upper Balulang, Cagayan de Oro City, after having been duly sworn in accordance with law, hereby depose and state that:

1. I am the authorized representative of the Applicant in the above-stated Application;
2. I caused the preparation of the foregoing Application;
3. I have read the contents thereof and the facts stated therein are true and correct of my personal knowledge and/or on the basis of copies of documents and records in my possession;
4. I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency;
5. To the best of my knowledge and belief, no such action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other tribunal or agency;
6. If I should thereafter 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 that fact within five (5) days therefrom to this Honorable Commission.


CHIQUITA C. CAPILI
Affiant

SUBSCRIBED AND SWORN to before me this JAN 08 2018 at Cagayan de Oro City affiant exhibiting to me her SSS ID No. 08-0723487-5, as competent evidence of identity.

Doc. No. 131 ;
Page No. 27 ;
Book No. V ;
Series of 2018.


ATTY. MAYNARD EUGENIO C. YLAGAN
Notary Public until 31 December 2018
PTR No. 3343880 dated 20 December 2016
IBP No. 1059582 dated 09 January 2017
TIN 925-227-199-000, Roll No. 59960