

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF CAPITAL
EXPENDITURES (CAPEX)
FOR THE YEAR 2017
IMPLEMENTED CAPEX
AND THE PROPOSED 2018
TO 2020 PROJECTS, WITH
PRAYER FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2017-111 RC

**CABANATUAN ELECTRIC
CORPORATION (CELCOR),
Applicant.**

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D U C K E T E D
Date: MAY 03 2018
By: [Signature]

ORDER

On 12 December 2017, Cabanatuan Electric Corporation (CELCOR) filed an *Application* dated 06 December 2017 (Application) seeking the Commission's approval of its capital expenditures (CAPEX) for the year 2017 implemented CAPEX and the proposed 2018 to 2020 projects, with prayer for provisional authority.

CELCOR alleged the following in its *Application*:

THE APPLICANT

1. Applicant **CABANATUAN ELECTRIC CORPORATION** (hereinafter referred to as "CELCOR" for brevity) is a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Brgy. Bitas, Maharlika Highway, Cabanatuan City.
2. It is a duly authorized distribution utility with a franchise area covering the entire territory of Cabanatuan City, Province of Nueva Ecija. The City of Cabanatuan is a chartered city under Republic Act No. 526 entitled "An Act Creating the City of Cabanatuan".

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3. It was granted franchise renewal by an act of Congress under R.A. 9968 which extended its authority to operate and distribute power to the City of Cabanatuan for another 25 years beginning March 6, 2010 until March 6, 2035.
4. On August 15, 2015, CELCOR filed its CAPEX expenditure program for the year 2015, which was docketed under ERC Case No. 2015-150 RC. The said application is still awaiting the decision of the Commission.
5. The program of CELCOR, geared towards improving the services to its customers and ensuring its compliance with various performance standards of the Philippine Distribution Code, is required so that it can fulfill and comply with the stated requirements of Section 2 of its Congressional Franchise.
6. This application is being filed before the Honorable Commission for the consideration and approval of CELCOR's proposed Capital Expenditure Projects for the period 2017 to 2021 in compliance with the requirements of ERC and other pertinent laws and rules.

A. CAPEX PROJECTS

7. The CAPEX program of CELCOR was group into Network and Non-Network with projects that would address the adequacy, safety, reliability, and efficiency of the distribution system and provide the Company with the necessary supporting facilities and equipment for the utility's operation. Forecasted growth was matched with appropriate projects while compliance with regulatory and statutory requirement was given its due attention in both categories of the program. The following factors greatly influenced the program of CELCOR for the RY 2017 – 2020:

- a. Capacity addition and improvement of load transfer capability.

CELCOR's analysis of the distribution system and demand forecast indicated the need to add capacity in substation, MV transmission line section, distribution transformers, and additional route for load transfer between substations. These projects will ensure that CELCOR can cope with the growing demand of its customers and will enable it to sustain the requirements of the franchise area for its growing economy.

- b. Network efficiency and reliability.

In addition to the necessary infrastructure for load growth, CELCOR has also programmed the projects that will improve the efficiency of its distribution system and the reliability of its transmission facilities. These are part of its core mandate which the Company needs to

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undertake to satisfy the demand of its Customers for reliable supply of power.

- c. Regulated service, Metering facility, and support equipment.

The forecasted growth in customer connections requires that it be supported by corresponding projects in the metering facility for both refurbishment and growth purposes. It includes the use of electronic meters which will provide a more accurate and dependable registration of energy consumption while providing power quality data for engineering analysis.

It is imperative for CELCOR to implement this program expenditures to eliminate concerns on metering facility's inaccuracy and inefficiency as a source of losses. The projects under this category will enable CELCOR to cope up with the very stringent requirements of the system loss cap.

- d. Compliance with regulatory and statutory requirements.

Apart from the forecasted growth and supply continuity, CELCOR is required to comply with the standards in power quality, service related indices, monitoring of electrical parameters, and maintenance of its facilities. These are mandatory requirements which CELCOR needs to report on a regular basis. Appropriate projects have to be set in place to satisfy these prescribed standards.

- e. Work station equipment, data processing software, and automation technology

With the robust development in the franchise area, CELCOR is constrained to provide a more reliable service with emphasis on supply continuity and expeditious response to the transmission line concerns in the distribution system. CELCOR would like to use updated technology in operating its power facilities and to benefit from the cost saving that will be derived from lower operational expense while improving its system reliability with the use of SCADA.

- f. Complementary support and service efficiency improvement for distribution system operation.

The Network projects of CELCOR require complementing Non-Network project expenditures which will have an impact on its overall objective to improve its business and to be more responsive to the needs of its customers. The projects under this category are an indispensable and significant component of its mandate to provide for the conveyance of power within

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the franchise area and will serve both the employees' working environment and data processing requirement.

8. Provided in the Annexes are the individual description of the Network and Non-network projects with their respective Gantt Charts and detailed discussion and information on the major component of the program expenditures.

B. LIST OF CAPEX PROJECTS

Therefore, to fulfill the mandate of CELCOR as the duly authorized utility to operate the franchise area in the City of Cabanatuan, CELCOR is hereby proposing the following Network Projects for 2017 – 2020:

NETWORK

Project	Category	Cost	Code
Bangad Substation	Capacity	124,810,546.21	SS-01
Transformer Correction Schemes	Capacity	15,639,834.95	TL-01
Distribution Rehabilitation and Upgrading Project	Reliability	38,414,920.87	BB-01 to BB-06 LL-01to LL-010
Distribution Minor CAPEX	Reliability	13,074,265.71	Phases 1,2,3, and 4
Installation of Switch and Fixed Type Capacitors	Power Quality	9,699,802.00	PQ-01/02
Installation of Mid-feeder Recloser and Sectionalizer	Power Quality	6,518,981.50	PQ-03/04
Installation of Voltage Regulators	Power Quality	9,785,119.50	PQ-05
Fault Current Indicators	Reliability	1,632,000.00	FL-01
Smart Arresters	Reliability	241,800.00	FL-02
SEIL Labelling	Safety	218,845.44	FL-03
Street Light Project	Safety	13,462,798.31	SL-01

9. The complete discussions of the proposals are described in the individual Project Description and Justification attached as **Annex "A"**.

NON-NETWORK

10. And to improve the services that complement Network operations, internal business processing, and customer related services, CELCOR is proposing the following Non-Network Projects for 2017-2020:

Project	Category	Cost	Code
SCADA	Automation Technology	24,622,298.83	SSD-01
Service Drops	Service Drops	46,584,788.00	TSD-01
Smarts Meters Growth	Meters	84,185,000.00	TSD-02
Metering Equipment	Meters and	30,374,180.00	TSD-03

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Refurbishment	Instrument Transformers		
CT Analyzer	Testing Equipment	2,500,000.00	TSD-04
Rover M	Consumer Consumption Monitoring	780,000.00	TSD-05
Remote Communication	Communication Equipment	800,000.00	TSD-06
Thermal Imaging Infrared Camera	Tools and Measuring Devices or Instrument	1,923,300.00	EDS-01
Amprobe Tic 300 AC Voltage Detector	Tools and Measuring Devices or Instrument	18,332.16	EDS-02
Dranetz Explorer Power Quality Analyzer	Tools and Measuring Devices or Instrument	1,650,320.00	EDS-03
Fluke 381 AC/DC Clamp Meter	Tools and Measuring Devices or Instrument	40,446.56	EDS-04
Phenix Technologies Transformer Test Set	Tools and Measuring Devices or Instrument	3,050,600.55	EDS-05
HT9022 Power Quality Analyzer	Tools and Measuring Devices or Instrument	93,770.00	EDS-06
Fluke 1555 Insulation Resistance Tester	Tools and Measuring Devices or Instrument	330,040.48	EDS-07
Engineering Analysis Software	Engineering Software	2,600,000.00	EDS-08
Lineman Tools and equipment	Tools and equipment	6,698,754.00	CNM-01
Computer and Server Upgrading	Information System Equipment	5,473,241.00	MIS-01
Microsoft Visual Studio	Information System Equipment	96,900.00	MIS-02
VMware Enterprise	Information System Equipment	1,002,311.65	MIS-03
Finishing works of new Building and additional Third Floor	Structures and Improvement	49,391,512.00	ADM-01
Site Development	Structures and Improvement	20,000,000.00	ADM-02
Refurbishment of old Building	Structures and Improvement	5,000,000.00	ADM-03
Emergency Generator	Structures and Improvement	2,615,002.31	ADM-04
New Truck with mounted articulated crane	Transportation Equipment	9,291,999.97	ST-01
Renewal of L300 Vehicles	Transportation Equipment	3,862,500.00	SV-01

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11. The complete discussions of the proposals are described in the individual Project Description and Justification attached as **Annex "B"**.

C. SOURCES OF FUNDING FOR THE CAPEX PROJECTS

The proposed projects of CELCOR for its Network and Non-Network projects shall be funded by its retained earnings and by an increase in capital stocks.

12. To support its requirements, the Board of Directors of CELCOR released Resolution No. 15-17, on May 17, 2017, approving the Distribution Development Plan that it will submit to the DOE which includes its CAPEX programs for the years 2017 to 2020.

D. PROVISIONAL AUTHORITY

ALLEGATIONS IN FURTHER SUPPORT OF CELCOR'S PRAYER FOR THE IMMEDIATE ISSUANCE OF A PROVISIONAL AUTHORITY

13. CELCOR repleads all the above allegations in further support of its prayer for the immediate issuance by this Honorable Commission of an Order provisionally authorizing it to implement its capital expenditures for 2017-2020.

Project Name	Estimated Duration of the Project
Proposed New 25MVA Bangad Substation	1 year
Distribution Rehabilitation and Upgrading Project	3 years
Installation of Switch and Fixed Type Capacitors	3 years
Installation of Midfeeder reclosers / Sectionalizers	3 years
Installation of Voltage Regulators	1 year
Other CAPEX (Network Projects)	3 years
SCADA	3 years
Regulated Retail Services	4 years
CELCOR Main Office Development	1 year

Presented hereunder is the estimated duration of CELCOR's proposed capital projects:

15. As of to-date, CELCOR will need at least four (4) years to complete the aforementioned capital projects. Thus, with

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the grant of a provisional authority, it would be able to immediately proceed with the projects to meet its customer's requirements.

16. In further support of the aforementioned prayer, CELCOR attaches and marks as **Annex "C"** hereof the Sworn Statement executed by ENGR. EDWARD S. YAP.

**CELCOR'S COMPLIANCE
WITH THE COMMISSION'S PRE-FILING
REQUIREMENTS**

17. In compliance with the Rules of Practice and Procedure of this Honorable Commission, CELCOR has furnished the legislative body of the City of Cabanatuan a copy of the present Application inclusive of its annexes. Copy of the Certification issued by the aforementioned legislative body attesting to the fact of service of a copy of the application and its annexes is hereto attached and marked as **Annex "D"**.
18. Furthermore, CELCOR had also caused the publication of the instant Application in a newspaper of general circulation in the Philippines. Copies of the Affidavit of Publication and the newspaper issue where the said Application was published are hereto attached and marked as **Annexes "E" and "F"** respectively.

PRAYER

WHEREFORE, in view of all the foregoing, it is respectfully prayed that upon the filing of the instant Application and pending hearing, an Order be immediately issued by this Honorable Commission provisionally authorizing **CABANATUAN ELECTRIC CORPORATION** to implement its proposed capital expenditures for 2017-2020, and that after due notice and hearing, the same be approved and considered used and useful within the Fourth Regulatory Period.

Finally, CELCOR likewise prays that the aforementioned projects be considered as a deferred amount to be included in its Third Regulatory Period reset calculations.

The Commission issued an Order with Notice of Public Hearing, both dated 28 February 2018, setting the case for initial hearing on 13 June 2018 at CELCOR's principal office in Cabanatuan City.

On 13 April 2018, CELCOR filed a *Manifestation and Motion to transfer Hearing Venue* dated 12 April 2018 (Motion) praying to Transfer the hearing venue due to non-availability of hall or room in its main office.

Finding the said Motion in order, the Commission hereby grants the same.

Accordingly, 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 **13 June 2018 (Wednesday) at nine o'clock in the morning (9:00 A.M.), at the Nueva Ecija University and Technology (NEUST Campus) – Brgy. Sumacab Este, Cabanatuan City.**

CELCOR is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the City Mayor, and the Local Government Unit (LGU) legislative body within the affected areas for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon the consumers within the affected area, by any other means available and appropriate;
- 4) Furnish with copies of this Order and the attached Notice of Public Hearing the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, Applicant must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing, consisting of the affidavits of the Editor or Business Manager of the newspapers where the said Notice of Public Hearing was published, and the complete issue of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing, consisting of certifications issued to that effect, signed by the aforementioned Mayor, and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the means employed by Applicant to inform of the filing of the *Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing, by the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Applicant and all interested parties are also required to submit, at least five (5) days before the date of initial hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;

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- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.


Failure of Applicant to submit the required Pre-Trial Brief and Judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

CELCOR must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the *Application* is all about and the reasons and justifications being cited in support thereof.

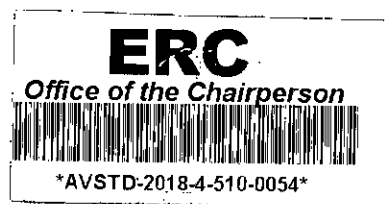
SO ORDERED.

Pasig City, 20 April 2018.

FOR AND BY AUTHORITY
OF THE COMMISSION:


AGNES VST DEVANADERA
Chairperson and CEO


LS: KJP/ARG/APV



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