

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO
IMPLEMENT THE SAN
FERNANDO 1x10/12.5 MVA
TR SUBSTATION AND
RELATED PROJECTS,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-125 RC

**VISAYAN ELECTRIC
COMPANY, INC. (VECO),
Applicant.**
X-----X

DOCKETED
Date: FEB 04 2019
By: *M*

ORDER

On 28 December 2018, the Visayan Electric Company, Inc. (VECO) filed an *Application* dated 06 December 2018, seeking the Commission's approval of its authority to implement the San Fernando 1x10/12.5 MVA TR Substation and related projects, with prayer for provisional authority.

In the said *Application*, VECO alleged the following, among others:

1. VECO is a private corporation existing under the laws of the Republic of the Philippines, with business address at J. Panis Street, Banilad, Cebu City. It is a duly authorized distribution utility of electric power in the cities of Naga, Talisay, Cebu and Mandaue, and in the municipalities of San Fernando, Minglanilla, Consolacion and Lilo-an, Province of Cebu pursuant to its franchise under Republic Act. No. 9339.
2. It may be served with notices and other processes of this Commission through its undersigned counsel at the address indicated below.
3. VECO's 3rd Regulatory Period (3rd RP) covers 1 July 2014 to 30 June 2018. However VECO still has to undergo the reset process and is currently awaiting the final rules to be released by the

Honorable Commission to govern the filing of its 3rd RP reset application.

4. This notwithstanding, Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (“EPIRA”), under Section 23, obligates VECO, as well as other distribution utilities, to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code.
5. In line with its obligation under the EPIRA and pursuant to Section 20 (b) of Commonwealth Act No. 146, as amended, VECO hereby applies for the approval of the Honorable Commission to implement the **San Fernando 1x10/12.5 MVA TR Substation and related projects:**
 - a. **San Fernando 1x10/12.5 MVA TR Substation**, which involves the construction of a substation to be located in Panadtaran, San Fernando, in lieu of the Mabuhay Filcement Switching Station project included in VECO’s 2014-2015 CAPEX application docketed as ERC Case No. 2013-207 RC;
 - b. **San Fernando Lot Acquisition**, which involves the acquisition of a lot where the San Fernando 1x10/12.5 MVA TR Substation will be erected;
 - c. **69 kV Line projects consisting of:**
 - i. **69 kV VECO Naga Substation to CEMEX 69 kV Line**, which involves the installation of poles, 69 kV lines and associated equipment from VECO’s Naga Substation to CEMEX and will serve as a supplementary line interconnecting with the CEMEX – Mabuhay Filcement 69 kV interconnection line that is part of ERC Case No. 2013-207 RC;
 - ii. **69 kV Mabuhay Filcement Inc. to San Fernando Substation Line**, which involves the installation of poles, 69 kV lines and associated equipment and is also a supplementary line interconnecting with the CEMEX – Mabuhay Filcement 69 kV interconnection line that is part of ERC Case No. 2013-207 RC;
 - iii. **69 kV San Fernando Substation to Mabuhay Filcement Inc. Line**, which involves the installation of poles, extension of a power service line and associated equipment from the San Fernando 1x10/12.5 MVA TR Substation to Mabuhay Filcement Inc.; and
 - iv. **69 kV San Fernando Substation to Taiheiyo 69 kV Line**, which involves the installation of poles, extension of a power service line and associated equipment from the San Fernando 1x10/12.5 MVA TR Substation to the 69kV customer Taiheiyo Cement Philippines, Inc.

6. The total estimated cost of these projects is **Php 88,916,420.00** broken down as follows:

Project	Cost (PhP)
San Fernando 1x10/12.5 MVA TR Substation	33,599,934.00
San Fernando Lot Acquisition	9,200,000.00
69 kV VECO Naga Substation to CEMEX 69 kV Line	18,215,560.00
69 kV Mabuhay Filcement Inc. to San Fernando Substation Line	10,905,646.00
69 kV San Fernando Substation to Mabuhay Filcement Inc. Line	12,796,377.00
69 kV San Fernando Substation to Taiheiyo 69 kV Line	4,198,903.00
TOTAL	88,916,420.00

7. The detailed explanation, description, justification, alternatives considered and other information on the foregoing projects are discussed in detail in a document entitled "VECO Project Justification". The document is attached as Annex "A" of this Application. A detailed economic analysis is provided in a document entitled "VECO Project economic analysis". It is attached as Annex "B".
8. Applicant undertakes to comply with the pre-filing requirements under Section 4(e) of the EPIRA IRR, as amended,

**ALLEGATIONS IN SUPPORT OF THE PRAYER FOR
PROVISIONAL AUTHORITY**

9. VECO's southern cluster involving the 1x33 MVA Naga, 2x33 MVA Talisay, 1x33 MVA Pardo and 2x33 MVA Don Gil Garcia substation is projected to exceed 70% its inter-cluster loading.
10. Paragraph 3, Section 1.2, of the ERC's Investor-owned Electricity Distribution Utility Planning Manual provides that:

*"Substations must provide a reserve capacity margin for outage contingency. Additional power transformer capacity will be triggered in the year a substation is forecasted to be loaded above 70% of its maximum rated capacity where it is not possible to offload the substation by reconfiguring the distribution voltage network. **Where substations are interconnected by the distribution voltage network, and load transfers at distribution voltage level are possible, additional capacity will be triggered in the year that the total load on all interconnected substations exceeds 70% of the total interconnected transformer capacity.** In cases where load transfer is not feasible, the 70% limit shall apply to the individual power transformer."* (Emphasis supplied.)

11. As the total inter-cluster loading of the foregoing interconnected substations is projected to exceed 70%, there is an immediate need for VECO to provide a reserve capacity margin in order to serve its customers by avoiding any power interruption in case of an outage contingency. Thus the proposed San Fernando 1x10/12.5 MVA TR Substation, which is strategically located to provide an addition 12.5 MVA of capacity within the southern cluster.

12. In turn, the proposed 69 kV Line projects will facilitate the interconnection of the San Fernando 1x10/12.5 MVA TR Substation VECO's 69 kV network, which will ultimately redound to the benefit of the consumers in terms of continuous, reliable and efficient supply of power.
13. Thus, pending final approval, there is a need for a provisional authority for VECO to immediately implement the foregoing projects. Attached as Annex "C" of the application is the Judicial Affidavit of Noel S. Modesto in support of the application and prayer for the grant of provisional authority.

PRAYER

WHEREFORE, in view of the foregoing, it is respectfully prayed that the Honorable Commission:

1. Pending trial on the merits, immediately ISSUE a PROVISIONAL AUTHORITY authorizing VECO to implement the foregoing San Fernando 1x10/12.5 MVA TR Substation, San Fernando Lot Acquisition, and 69 kV Line projects; and
2. After due hearing, ISSUE a DECISION APPROVING the foregoing San Fernando 1x10/12.5 MVA TR Substation, San Fernando Lot Acquisition, and 69 kV Line projects.

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

Finding the said *Application* to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **14 March 2019 (Thursday) at two o'clock in the afternoon (02:00 P.M.)**, at **ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City**.

Accordingly, VECO 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 Provincial Governor,

the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;

- 3) 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 Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 4) Inform the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 5) 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 hearings; and
- 6) 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, VECO 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 affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues 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 Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by VECO to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the OSG, 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.

VECO and all interested parties are also required to submit, at least five (5) days before the date of the 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;
- 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 VECO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

(This space is left intentionally blank.)

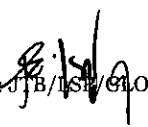
VECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the Application, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 22 January 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS: JTB/LSW/GLO

Copy Furnished:

1. Attys. Paul B. Soriño and Ma. Margarita S. Lim
Counsels for Applicant
16th Floor, NAC Tower
32nd St., Bonifacio Global City, Taguig City
2. Visayan Electric Company, Inc. (VECO)
Applicant
J. Panis Street, Banilad, Cebu City
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS bldg., Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
3rd floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City

ERC CASE NO. 2018-125 RC
ORDER/22 JANUARY 2019
PAGE 8 OF 8

8. Office of the City Mayor
Naga City, Cebu
9. Office of the Local Government Unit (LGU) legislative body
Naga City, Cebu
10. Office of the City Mayor
Talisay City, Cebu
11. Office of the Local Government Unit (LGU) legislative body
Talisay City, Cebu
12. Office of the City Mayor
Cebu City, Cebu
13. Office of the Local Government Unit (LGU) legislative body
Cebu City, Cebu
14. Office of the City Mayor
Mandaue City, Cebu
15. Office of the Local Government Unit (LGU) legislative body
Mandaue City, Cebu
16. Office of the Municipal Mayor
San Fernando, Cebu
17. Office of the Local Government Unit (LGU) legislative body
San Fernando, Cebu
18. Office of the Municipal Mayor
Consolacion, Cebu
19. Office of the Local Government Unit (LGU) legislative body
Consolacion, Cebu
20. Office of the Municipal Mayor
Lilo-an, Cebu
21. Office of the Local Government Unit (LGU) legislative body
Lilo-an, Cebu
22. Office of the Provincial Governor
Province of Cebu
23. Office of the Local Government Unit (LGU) legislative body
Province of Cebu
24. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City