

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



IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO DEVELOP, OWN AND OPERATE ASSETS, INCLUDING DEDICATED POINT-TO-POINT LIMITED TRANSMISSION FACILITIES TO CONNECT THE MANOLO FORTICH 1 AND 2 HYDROELECTRIC POWER PLANTS TO THE 138 KV TAGOLOAN-MARAMAG TRANSMISSION LINE OF THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2015-043 MC

**HEDCOR BUKIDNON, INC.
(HEDCOR),**

Applicant.

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D O C K E T E D

Date: AUG 26 2015

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ORDER

On June 16, 2015, the Hedcor Bukidnon, Inc. (HEDCOR) filed an application for authority to develop, own and operate assets, including dedicated point-to-point limited transmission facilities to connect the Manolo Fortich 1 and 2 Hydroelectric Power Plants to the 138 kV Tagoloan-Maramag Transmission Line of the National Grid Corporation of the Philippines (NGCP), with prayer for provisional authority.

In the said application, HEDCOR alleged, among others, the following:

1. It is a generation company duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Zone II, Barangay Maluko, Manolo Fortich, Bukidnon, Philippines.

It may be served with orders, notices, and other processes of the Commission through its counsel;

2. The instant application is being filed pursuant to the Electric Power Industry Reform Act of 2001 (EPIRA)¹ which provides:

“Section 9. x x x

A generation company may develop and own or operate dedicated point-to-point limited transmission line facilities that are consistent with the TDP; *Provided*, That such facilities are required only for the purpose of connecting to the transmission system, and are used solely by the generating facilities, subject to prior authorization by the ERC x x x.”

and Section 5, Rule 5 of the Implementing Rules and Regulations of Republic Act No. 9136 (EPIRA IRR):

“Section 5. Dedicated Point-to-Point Limited Transmission Facility of a Generation Company.

(a) Subject to prior authorization from ERC, TRANSCO or its Buyer or Concessionaire may allow a Generation Company to develop, own and/or operate dedicated point-to-point limited transmission facilities: *Provided*, That:

(i) Such dedicated point-to-point limited transmission facilities are required only for the purpose of connecting to the Grid which will be used solely by the Generation Facility, and are not used to serve End-users or Suppliers directly;

¹ Republic Act No. 9136

(ii) The facilities are included and consistent with the TDP as certified by TRANSCO or its Buyer or Concessionaire; and

(iii) Any other documents that may be required by the ERC.

x x x x x x x x x”

3. It is constructing a 68.8 MW Manolo Fortich Hydroelectric Power Plant (the Project Plant) located in the province of Bukidnon. The Project Plant will be comprised of two power plants, Manolo Fortich 1 (MF1) with a capacity of 43.4 MW and Manolo Fortich 2 (MF2), with a capacity of 25.4 MW. HEDCOR has secured the Environmental Compliance Certificate² from the Department of Environment and Natural Resources and, the Certificate of Confirmation of Commerciality under the Feed-in Tariff System from the Department of Energy³ for the Project Plant;

4. It proposes to “bus-in” along the existing Tagoloan-Maramag 138 kV Transmission Line of the National Grid Corporation of the Philippines (NGCP) through the construction and operation of the following connection assets: a) new switchyard to be located in Brgy. Lingion, Manolo Fortich, Bukidnon Province, to become the connection point of the Project Plant; b) associated lines of 138 kV single circuit 1-795 MCM ACSR conductor transmission lines from MF1 to MF2 plant sites; and c) associated lines of 138 kV double circuit 2-795 MCM ACSR conductor transmission lines from MF2 to connection point, necessary to connect the Project Plant to the new switchyard, each of which has an estimated distance of 15 km and 8 km respectively; and d) certain protection systems, power circuit breakers and equipment at the connection point. (collectively, the HEDCOR Connection Assets);

² Dated 07 March 2014

³ Dated 10 October 2014

Statement of Facts

5. To connect the Project Plant to the transmission system, it needs to construct dedicated point to point limited line facilities. Said facilities are necessary to test, commission and dispatch the capacity of the Project Plant and shall likewise be exclusively utilized by it;
6. Upon its request, NGCP conducted a System Impact Study (SIS) to evaluate the impact of connecting the Project Plant to the Mindanao Grid;
7. Based on the SIS conducted by NGCP, the Project Plant can be connected to the grid through either of the following options, both of which were found to be technically feasible:

Option 1: "Bus-in" along the existing Tagoloan- Maramag 138 kV transmission line; and

Option 2: Connect MF1 to the existing Tagaloan substation then MF1 to be connected to MF2;

8. After careful consideration of the Options available, HEDCOR deems Option 1 as the appropriate selection. Based on HEDCOR's evaluation, Option 1, i.e., the "bus-in" along the existing Tagoloan- Maramag 138 kV Transmission Line of the National Grid Corporation of the Philippines (NGCP) through the construction and operation of the HEDCOR Connection Assets, is the more feasible option to connect the Project Plant to the transmission system;
 - 8.1 As per the SIS conducted by NGCP, Option 2 will involve crossing several ancestral domains of Indigenous Peoples (IPs). As IPs are concerned, the Free, Prior and Informed Consent (FPIC) of the respective IPs must be secured.
 - 8.1.1 There is foreseen difficulty in securing all the FPIC needed due to the number of IPs and the various and possibly conflicting, claims to, in, and around the area to be occupied and traversed by the HEDCOR Connection Assets;

- 8.1.2 It must be further stressed that there is even no certainty that the IPs concerned will give its FPIC; and
- 8.1.3 In addition to the various FPICs required to be secured, there is the matter of securing numerous Rights of Way to use the various tracts of land that must be further addressed;
- 8.2 Even assuming that all FPICs of the IPs concerned are secured, together with the Rights of Way over individual tracts of land under Option 2, this will necessarily entail greater amount of time and resources which will cause unnecessary delays in the construction, testing and commission of the HEDCOR Connection Assets;
- 8.3 Furthermore, the greater distance and area to be covered by the transmission lines under Option 2 necessitates an increase in the number of LGUs involved. HEDCOR will then be forced to stretch its already limited resources and manpower as separate negotiations for the various LGU endorsements and MOAs must be entered into. Under Option 1, there is no need to engage additional LGUs as the pertinent LGUs have already provided their endorsements and the MOAs have been entered into;
- 8.4 In regard to the distance in between connection points, the longer distance under Option 2 will likewise necessitate a longer response time to transient fault and tripping. On the other hand, Option 1, with a shorter distance in between connection points, facilitates a shorter response time to transient fault and tripping;
- 8.5 Lastly, due to the distance from the powerhouse to the Tagoloan Substation under Option 2, greater operations and maintenance costs may be incurred due to greater exposure to natural elements, pilferage and sabotage;
- 9. The total estimated cost of the HEDCOR Connection Assets is PhP612,414,764.00, broken down as follows:

Component	Cost, PhP
Communication	66,089,600.00
Switchyard	207,428,440.00
Metering	12,618,941.00
Civil Works	64,364,000.00
Land Acquisition	7,000,000.00
Transmission Line	254,913,783.00
Total	612,414,764.00

- 9.1 The construction of the Connection Assets shall be funded internally by HEDCOR, through its mother company, Aboitiz Renewables Inc., a wholly-owned subsidiary of Aboitiz Power Corporation. Aboitiz Renewables Inc., owns 100% equity interest in HEDCOR;
10. It will apply for a Certificate of Compliance (COC) prior to the Project Plant's commencement of operation in compliance with the requirements of the Commission;
11. The following documents are herewith submitted in support of the instant application:

Annex	Document
A	Facility Study with Detailed Project Description Report
A-1	Options Considered in Lieu of Proposed Project
A-1-a	Comparison Chart of Options
A-2	Gantt Chart Schedule for the Connection Assets
A-3	Cost Estimates for the Connection Assets
A-4	List of Personnel Responsible for Design, Installation, Maintenance and Repair of Equipment
A-5	Proof of Technical Capability to Operate
A-6	Conceptual Engineering Design and Drawings for the Connection Assets
B	HEDCOR's Articles of Incorporation
C	HEDCOR's Certificate of Registration
D	HEDCOR's latest General Information Sheet
E	NGCP Certification that the Project Plant is Consistent with the TDP
F	Environmental Compliance Certificate for the Project Plant
G	System Impact Study

H	Secretary's Certificate re: Board Approval for the HEDCOR Connection Assets
I	Summary of HEDCOR's Key Management Officials
J	Latest Audited Financial Statement of HEDCOR
K	Certificates of Confirmation of Commerciality from the Department of Energy

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

12. It prays that the Commission provisionally authorize the construction, operation and ownership of the HEDCOR Connection Assets pending trial on the merits of this application;
13. It is constructing the Project Plant in furtherance of Republic Act No. 9513 or the Renewable Energy Act. In order to comply, at the shortest amount of time possible, with the requirements and the installation target for Run-of River Hydropower, as set by the Department of Energy (DOE), an urgency exists as to securing permits, construction, and commissioning and testing, among others;
14. To enable the Project Plant to avoid unnecessary delays which may lead to opportunity costs and for the Project Plant to contribute to the rising demand growth, it needs to immediately test, commission and dispatch the Project Plant after the completion of the Project Plant. To accomplish these, there is a need for HEDCOR to connect, to the Mindanao Grid through the HEDCOR Connection Assets, and for these HEDCOR Connection Assets to be constructed at the soonest possible time;
15. It prays that these facts and circumstances warrant the issuance by the Commission of a provisional authority pending trial on the merits of this application; and
16. It prays that the Commission, after hearing on the merits,
 - a. Immediately issue a provisional authority authorizing HEDCOR to develop, own, and operate the HEDCOR Connection Assets consisting of a) new switchyard to

be located in Brgy. Lingion, Manolo Fortich, Bukidnon Province, to become the connection point of the Project Plant; b) associated lines of 138 kV single circuit 1-795MCM ACSR conductor transmission lines from MF1 to MF 2 plant sites; c) associated lines of 138 kV double circuit 2-795 MCM ACSR conductor transmission lines from MF 2 to connection point, necessary to connect the Project Plant to the new switchyard, each of which has an estimated distance of 15 km and 8 km respectively; and d) certain protection systems, power circuit breakers and equipment at the connection point; and

- b. Approve the application for authority to develop, own and operate dedicated point-to-point limited transmission line facilities, specifically, the HEDCOR Connection Assets which consist of: a) new switchyard to be located in Brgy. Lingion, Manolo Fortich, Bukidnon Province, to become the connection point of the Project Plant; b) associated lines of 138 kV single circuit 1-795MCM ACSR conductor transmission lines from MF1 to MF 2 plant sites; c) associated lines of 138 kV double circuit 2-795 MCM ACSR conductor transmission lines from MF 2 to connection point, necessary to connect the Project Plant to the new switchyard, each of which has an estimated distance of 15 km and 8 km respectively; and d) certain protection systems, power circuit breakers and equipment at the connection point.

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 initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **September 29, 2015 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

HEDCOR is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, with the date of the publication to be made not later than ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available

and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished 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.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governors of the Provinces of Bukidnon and Misamis Oriental and Mayors of Manolo Fortich and Maramag, Province of Bukidnon and Tagoloan, Province of Misamis Oriental for the appropriate posting thereof on their respective bulletin boards.

HEDCOR is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, HEDCOR must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavit of the Editor or Business Manager of the newspaper where the said Notice of Public Hearing was published together with the complete issue of the said newspaper, and such other proofs of compliance with the requirements of the Commission.

HEDCOR and all interested parties are directed 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:

- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and

- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of HEDCOR 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 said date of cancellation.

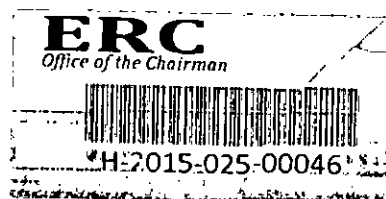
As part of the pre-trial conference, HEDCOR must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, August 17, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman



Copy Furnished:

1. **Attys. Katrina M. Platon, Ma. Consolacion C. Mercado and
Lew Carlo C. Lopez**
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2. **HEDCOR BUKIDNON, INC. (HEDCOR)**
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4. **NATIONAL GRID CORPORATION OF THE PHILIPPINES
(NGCP)**
NGCP Building, Quezon Avenue cor. BIR Road
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5. **Office of the Solicitor General**
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6. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
7. **Senate Committee on Energy**
GSIS Bldg., Roxas Blvd., Pasay City
Metro Manila
8. **House Committee on Energy**
Batasan Hills, Quirino City, Metro Manila
9. **Office of the President-PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3RD Floor ECC Building
Sen. Gil Puyat Avenue, Makati City
10. **Office of the Municipal Mayor**
Manolo Fortich, Bukinon
11. **Office of the Municipal Mayor**
Maramag, Bukidnon

- 12. Office of the Sangguniang Barangay**
Brgy. Maluko, Manolo Fortich, Bukinon

- 13. Office of the Municipal Mayor**
Tagoloan, Misamis Oriental

- 14. Office of the Provincial Governor**
Province of Bukidnon

- 15. Office of the Provincial Governor**
Province of Misamis Oriental