

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO
IMPLEMENT THE
PROPOSED CAPITAL
EXPENDITURE PROGRAM
FOR REGULATORY YEAR
(RY) 2017, WITH PRAYER
FOR PROVISIONAL
AUTHORITY**

ERC Case No. 2016-210RC

**CLARK ELECTRIC
DISTRIBUTION
CORPORATION (CEDC),**
Applicant.

X-----X

D O C K E T E D
Date: FEB 14 2017
By: [Signature]

ORDER

On 29 December 2016, Applicant Clark Electric Distribution Corporation (CEDC), filed an Application for authority to implement its Capital Expenditure Program for 2017.

In its Application, CEDC alleged, among others, the following:

1. CEDC is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga, Philippines; franchised by the Clark Development Corporation (CDC) pursuant to Executive Order No. 80, to operate and maintain a power distribution system within the Clark Special Economic Zone; and represented herein by its President, Ricardo V. Buencamino.
2. CEDC is part of the Fourth Entry Group (otherwise known as "Group D") that entered into the

performance-based regulation (“PBR”) rate setting methodology in October 1, 2011.

3. The Honorable Commission approved CEDC’s Capital Expenditure Program for the entire Second Regulatory Period – October 11, 2011 to September 30, 2015 in CEDC’s Final Determination dated July 6, 2011 (ERC Case No. 2010-131RC).
4. The last year of CEDC's Second Regulatory Period expired last 30 September 2015. The Third Regulatory Period (3RP) for the Fourth Entry Group was supposed to have commenced last 1 October 2015 and end on 30 September 2019. While the Commission has already released the Modified Rules for Setting Distribution Wheeling Rates (RDWR) under ERC Resolution No. 25, Series of 2016, CEDC is still waiting for the go-ahead from the Commission to file its 3rd RP reset application.
5. Meantime, this application is being filed 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 the Commission before it can construct, operate and maintain new distribution facilities. Given that it has no authority to undertake and implement CAPEX projects after 30 September 2015, CEDC is seeking the Commission's approval for its CAPEX Program for Regulatory Year (RY) 2017 (1 October 2016 to 30 September 2017) to ensure the continued reliable operation of its distribution network and ensure continuous distribution service and connection to meet the growing and future needs of its more than 1,800 industrial, commercial and residential customers inside the Clark Special Economic Zone.
6. CEDC's 2017 CAPEX Program is geared towards ensuring the safety, reliability, efficiency and performance of the distribution system while providing for the forecasted growth of future electricity demand within its franchise area.
7. In this regard, CEDC proposes the following Major CAPEX Projects:

| Annex | Major Project Title | Estimated Project Cost (PhP) |
|--------------|---|-------------------------------------|
| B-1 | Implementation of Advanced Distribution Management System (ADMS) – Single Platform | 145,000,000 |
| B-2 | Implementation of Advanced Metering Infrastructure (AMI) with Meter Data Management System (MDMS) | 102,750,000 |
| TOTAL | | 247,750,000 |

CEDC's Residual Projects, are broken down by asset categories as follows:

| Annex | Residual Project Title | Estimated Project Cost (PhP) |
|--------------|---|-------------------------------------|
| C-1 | Poles, Towers, and Fixtures – Distribution [Network – Growth] | 6,132,473 |
| C-2 | Overhead Conductors and Devices – Distribution [Network – Growth] | 24,051,216 |
| C-3 | Underground Conductors and Devices – Distribution [Network – Growth] | 21,630,177 |
| C-4 | Distribution Transformers [Network – Growth] | 8,768,256 |
| C-5 | Meters, Instruments & Metering Transformers – Distribution [Network – Growth] | 22,800,000 |
| C-6 | Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Network – Growth] | 212,000 |
| C-7 | Information Technology Equipment – Distribution [Network – Growth] | 4,243,250 |
| C-8 | Overhead Conductors and Devices – Customer [Network – Growth] | 2,593,707 |
| C-9 | Station Equipment – Other Equipment [Network – Growth] | 14,300,000 |
| C-10 | Information Technology Equipment – Distribution [Network – Renewal] | 1,650,000 |
| C-11 | Poles, Towers, and Fixtures – Distribution [Network – Renewal] | 1,382,465 |
| C-12 | Overhead Conductors and Devices – Distribution [Network – Renewal] | 25,299,606 |
| C-13 | Underground Conductors and Devices – Distribution [Network – Renewal] | 2,350,940 |
| C-14 | Distribution Transformers [Network – Renewal] | 3,461,422 |
| C-15 | Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Network – Renewal] | 5,738,000 |
| C-16 | Station Equipment – Protective Equipment [Network – Renewal] | 560,000 |
| C-17 | Station Equipment – Other Equipment [Network – Renewal] | 1,646,000 |
| C-18 | Tools, Shop, and Garage Equipment [Non- | 12,102,635 |

| Annex | Residual Project Title | Estimated Project Cost (PhP) |
|--------------|--|-------------------------------------|
| | Network -- Growth] | |
| C-19 | Information Systems Equipment [Non-Network – Growth] | 12,932,000 |
| C-20 | Structures and Improvements [Non-Network – Growth] | 20,900,000 |
| C-21 | Transportation Equipment [Non-Network – Growth] | 1,630,000 |
| C-22 | Transportation Equipment [Non-Network – Renewal] | 3,800,000 |
| TOTAL | | 198,184,147 |

8. In light of the resulting benefits of CEDC's RY 2017 CAPEX Program in the overall service to the electricity consumers, CEDC respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time it is put in service and considered used and useful, should be considered as a deferred amount to be included in CEDC's 3rd RP reset calculations.

9. Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the Philippine Distribution Code. Since CEDC has no approved CAPEX projects from the start of the 3rd RP on October 1, 2015, this will severely hamper its operations and affect its ability to efficiently deliver electricity service to its customers. It is thus imperative for CEDC to undertake expansion and rehabilitation of its network facilities through acquisition of new assets to ensure continuous compliance with the safety, performance and other statutory/regulatory requirements.

10. Thus, pending final approval, there is an urgent need for the Commission to issue a provisional authority for CEDC to immediately implement its proposed RY 2017 CAPEX program. In support of the prayer for the grant of a provisional authority, CEDC has attached the Judicial Affidavit of Mr. Milo R. Pantig, it's Senior AVP and Head of Networks.

PRAYER

WHEREFORE. CEDC respectfully prays that this application for authority to implement CEDC's Capital Expenditure (CAPEX) Program for Regulatory Year (RY) 2017 be APPROVED and that the building block components associated with the CAPEX Program from the time it is put in service and considered used and useful be considered as a deferred amount to be included in CEDC's subsequent Third Regulatory Period reset calculations.

Pending final approval of the proposed CAPEX Program for RY 2017, CEDC also prays that it be granted provisional authority to implement the said proposed CAPEX Program for RY 2017.

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

Finding the said Application sufficient in substance with the required fees having been paid, the same is hereby set for initial hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **9 March 2017 (Thursday) at two o'clock in the afternoon (2:00 P.M.), at CEDC's principal office, Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga.**

Accordingly, Applicant CEDC 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 their 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 Governors, 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) Inform of the filing of the Application, its reasons therefor, and of the scheduled hearing thereon, the consumers within the affected franchise 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 CEDC must submit to the Commission their 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 was 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 Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicants to inform of the filing of the Joint 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 Joint 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 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.

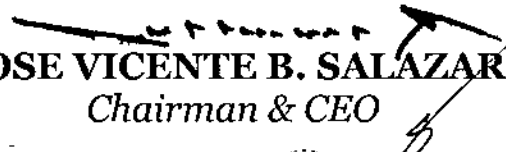
Failure of Applicant to submit the required Pre-trial Brief and judicial Affidavits of its witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

Applicant 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, 31 January 2017.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman & CEO

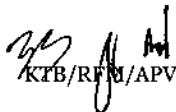
ERC



Office of the Chairman and CEO



B-2017-013-OC-00107


KTB/RFM/APV

Copy furnished:

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Makati City, Metro Manila
3. **Commission on Audit (COA)**
Commonwealth Avenue
Quezon City, Metro Manila
4. **Senate Committee on Energy**
GSIS Bldg. Roxas Blvd., Pasay City
Metro Manila
5. **House Committee on Energy**
Batasan Hills, Quezon City, Metro Manila
6. **Philippine Chamber of Commerce and Industry (PCCI)**
Campus Avenue corner Park Avenue,
McKinley Town Center, Fort Bonifacio, Taguig City
7. **Office of the Administrator**
Clark Freeport Zone
Province of Pampanga
8. **Office of the Governor**
Province of Pampanga
9. **Sangguniang Panlalawigan ng Pampanga**
Province of Pampanga
8. **ROS-SCMD**
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