

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO DEVELOP THE
SITIO GITNA 115 KV
SWITCHING STATION, WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2014-046 RC

**MANILA ELECTRIC COMPANY
(MERALCO),**

Applicant.

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DOCKETED
Date: **JUL 01 2014**
By: *[Signature]*

ORDER

On April 24, 2014, the Manila Electric Company (MERALCO) filed an application for authority to develop the Sitio Gitna 115 kV Switching Station, with prayer for provisional authority.

In the said application, MERALCO alleged, among others, that:

1. It is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Pasig City. It may be served with notices and other processes of the Commission through its undersigned counsel at the address indicated herein;
2. It has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209;

3. It seeks the approval of the development of the proposed Sitio Gitna 115 kV Switching Station (the Project), to serve the power needs of the large load customers in Caloocan City;

A. BACKGROUND AND PROJECT RATIONALE

4. With the current trend in economic growth that the country is experiencing, there is also a rapid growth in the power demands in its franchise area, especially the commercial and industrial areas within Metro Manila. This increase in power demand is brought about by natural load growth as well as spot load applications. Among the spot load applications that it received in the past year is the application for additional load requirement of Metrodragon Steel Corporation (MSC) and the new load application of ANK Steel Corporation (ANK) for their respective plants to be located in Kaybiga, Caloocan City. These plants are within its franchise area;
5. The combined applied load of MSC and ANK is 60 MW,¹ which is scheduled to be commissioned in the 1st half of 2015.² These are significant new loads that will be connected to MERALCO's distribution system;
6. Pursuant to Section 23 of Republic Act No. 9136, a distribution utility *"shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code. Any entity engaged therein shall provide open and non-discriminatory access to its distribution system to all users."*;
7. Similarly, it is mandated under Section 4 of Republic Act No. 9209, or its Legislative Franchise, to *"provide open and nondiscriminatory access to its distribution system and services for any end-user within its franchise area consistent with Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001."*;

¹ 40 MW for MSC and 20 MW for ANK.

² MSC's target testing of its facilities is in January 2015 and initial production in February 2015 connection is July 2014 while ANK's target production is on the 1st quarter of 2015.

8. Thus, it is obligated to provide access to its distribution system to the aforesaid prospective customers. However, the 60 MW total load applications of these two large industrial customers impose a major challenge to it due to capacity and technical constraints of the nearest existing facility in the area;

Applicant’s existing facilities in the area

9. Its existing substations in the area are the Bagbaguin 115kV-34.5kV Substation and the Kaybiga 115kV-34.5kV Substation, which are approximately 3.5-km and 5.4-km away from the prospective customers and the Bagbaguin – Kaybiga 115kV Circuit, the Bagbaguin 34.5kV Circuit and Kaybiga 34.5kV Circuit;

10. If the above-mentioned load applications are served at Bagbaguin Bank 1 by feeder 413YZ and Kaybiga Bank 2 by feeder 425YX in 2015, feeders 413YZ and 425YX are expected to be overloaded at 93% and 147%, respectively, while Bagbaguin Bank 1 and Kaybiga Bank 2 would be in critical loading condition at 91% and 70% respectively, which will increase annually as shown below:

Actual and Forecasted Loading Without the Project

CIRCUIT/BANK	CAPACITY (MVA)	UNIT	2013	2014	2015	2016	2017
Kaybiga Bank 2	83	MVA	28.20	29.81	57.97	61.28	64.78
		% Loading	34%	36%	70%	74%	78%
Kaybiga 425YX	28.68	MVA	13.27	14.03	42.13	44.54	47.08
		% Loading	46%	49%	147%	155%	164%
Bagbaguin Bank 1	83	MVA	62.13	66.34	75.83	80.96	86.45
		% Loading	75%	80%	91%	98%	104%
Bagbaguin 413YZ	28.68	MVA	11.77	12.57	26.66	28.47	30.39
		% Loading	41%	44%	93%	99%	106%

11. As such, connecting the plant to these circuits is not feasible. Moreover, due to the nature of MSC and ANK’s plants’ operations, the same may not be connected to the 34.5 kV circuit;

12. Thus, to serve these load requirements within the customers’ target schedule, it is proposing to serve the load requirements of MSC and ANK through a feed from the Bagbaguin – Kaybiga 115 kV Circuit;

B. PROJECT SUMMARY

13. In brief, the proposed Project that will immediately serve these significant new loads involves the construction of (i) approximately 3.6 kilometers of 115 kV line using bundled 2-795 MCM ACSR using steel poles; (ii) around 0.3 kilometer of 115kV line using 1-795 MCM ACSR; and (iii) 115 kV disconnect switches and necessary protection/control equipment at the proposed Sitio Gitna Switching Station. It will also require acquisition of rights-of-way on the affected roads;

14. The estimated cost of the Project is One Hundred Fifty-Four Million Ninety-One Thousand and Three Hundred Forty-Four Pesos (PhP 154,091,344.00);

15. Section 3.5 of Rules for the Approval of Regulated Entities' Capital Expenditure Projects,³ provides that there are expenditure projects that may occur at any given period which may be resulting from unexpected significant load that will be connected to the distribution system and a regulated entity shall file a formal application prior to the start of implementation of such projects. Thus, the instant application;

16. In support of the application, attached hereto are the following documents:
 - a. **Annex "A"** – Document entitled DEVELOPMENT OF SITIO GITNA 115 kV SWITCHING STATION (RY 2015), which provides the justification for the Project in more detail, the various options considered by Applicant, analyses of the options considered, the Project's site location, Project diagrams and the cost estimate for the Project;

 - b. **Annex "B"** – "Major Project Information Summary - DEVELOPMENT OF SITIO GITNA 115 kV SWITCHING STATION," which provides, among other things, the justification for the Project, cost estimates for the Project, and impact of the Project in table format; and

 - c. **Annex "C"** – Project Gantt Chart;

³ See ERC Resolution No. 26, Series of 2009.

17. With the completion of the Project, the need to provide adequate capacity to meet the immediate increasing power demand in the area will be addressed and will allow it to accommodate new customer applications, especially large load customers. By this, it will be able to fulfill its mandate under the EPIRA and its legislative franchise;
18. Considering the resulting benefits of the Project in the overall service to the electricity consumers, it respectfully submits that the building block components, particularly, the return of capital and return on capital associated with the Project from the time it is put to service and considered used and useful within the Third Regulatory Period, should be considered as a deferred amount to be included in its fourth regulatory period reset calculations;

C. URGENT NEED TO ISSUE A PROVISIONAL AUTHORITY

19. As can be seen in the attached Gantt Chart, it will need at least nine (9) months to commission the Project, which needs to be energized by December 2014, in time for the target energization of MSC and ANK;
20. Thus, with the grant of a provisional authority, it would be able to immediately proceed with the Project to meet its customers' requirements;
21. In support of the prayer for the grant of a provisional authority, attached as **Annex "D"** is the Judicial Affidavit of Engr. Froilan J. Savet;
22. It prays that the instant application for authority to develop the Sitio Gitna 115 kV Switching Station be **APPROVED** and that the building block components associated with the Project from the time it is put to service and considered used and useful within the Third Regulatory Period be considered as a deferred amount to be included in its Fourth Regulatory Period reset calculations; and
23. It is likewise prayed that a provisional authority be immediately issued authorizing it to implement the proposed Project.

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 jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **August 6, 2014 (Wednesday) 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.**

MERALCO is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled 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 hearings 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 hearings.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governors and Mayors of the Municipalities/Cities within the franchise area of MERALCO for the appropriate posting thereof on their respective bulletin boards.

MERALCO 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, MERALCO must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences of 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 affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published together with the

complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

MERALCO 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 thereof 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 MERALCO 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, MERALCO 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, June 23, 2014.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson ✓

Copy Furnished:

1. **MANILA ELECTRIC COMPANY (MERALCO)**
Attention: Attys. Jose Ronald V. Valles, Francis Dino S. Antonio,
Angelica Diane B. Monteza and Paul B. Sorifio
Counsels for MERALCO
MERALCO Compound
Ortigas Avenue, Pasig City
2. **The Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
3. **The Commission on Audit**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
4. **The Committee on Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
5. **The Committee on Energy**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
6. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
7. **Office of the Provincial Governor**
Province of Bulacan
8. **Office of the Provincial Governor**
Province of Cavite
9. **Office of the Provincial Governor**
Province of Rizal
10. **Office of the Provincial Governor**
Province of Batangas
11. **Office of the Provincial Governor**
Province of Laguna
12. **Office of the Provincial Governor**
Province of Quezon
13. **Office of the Provincial Governor**
Province of Pampanga
14. **Office of the City Mayor**
City of Manila 1000

15. **Office of the City Mayor**
Quezon City 1100
16. **Office of the City Mayor**
City of Caloocan 1400
17. **Office of the City Mayor**
City of Makati 1200
18. **Office of the City Mayor**
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City of San Jose del Monte, Bulacan 3023
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City of Valenzuela 1440
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Trece Martirez City 4109
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Las Piñas City 1740
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Batangas City 4200
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San Pablo City, Laguna 4000
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City of Marikina 1800

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Antipolo City, Rizal 1870
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Tagaytay City, Cavite 4120
35. **Office of the City Mayor**
Calamba, Laguna 4027
36. **Office of the City Mayor**
Meycauan, Bulacan 3020
37. **Office of the Municipal Mayor**
Navotas, Metro Manila 1485
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Taguig, Metro Manila 1637
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Pateros, Metro Manila 1621
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Tiaong, Quezon 4325
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Calauan, Laguna 4012
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Gen. Aguinaldo, Cavite 4124
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Magallanes, Cavite 4113
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Cainta, Rizal 1900
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Meycauayan, Bulacan 3020
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Biñan, Laguna 4024
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Sta. Rosa, Laguna 4026

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Dolores, Quezon 4326
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Sampaloc, Quezon 4329
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Pagbilao, Quezon 4302
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Tayabas, Quezon 4327
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Marilao, Bulacan 3019
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San Juan, Metro Manila 1500
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Norzagaray, Bulacan 3013
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Sta. Maria, Bulacan 3022
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Angat, Bulacan 3012
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Victoria, Laguna 4011
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Pila, Laguna 4010
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Sta. Cruz, Laguna 4009

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Liliw, Laguna 4004
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San Pedro Tunasan, Laguna 4023
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Rizal, Laguna 4003
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Dasmariñas, Cavite 4114
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Gen. Mariano Alvarez, Cavite 4117
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Carmona, Cavite 4116
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Bay, Laguna 4033
88. **Office of the Municipal Mayor**
Sto. Tomas, Batangas 4234
89. **Office of the Municipal Mayor**
Taytay, Rizal 1920
90. **Office of the Municipal Mayor**
Bustos, Bulacan 3007
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Guiguinto, Bulacan 3015
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Pandi, Bulacan 3014
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Bocaue, Bulacan 3018
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Bulacan, Bulacan 3017
95. **Office of the Municipal Mayor**
Balagtas, Bulacan 3016
96. **Office of the Municipal Mayor**
Teresa, Rizal 1880
97. **Office of the Municipal Mayor**
Jala-jala, Rizal 1990
98. **Office of the Municipal Mayor**
Cardona, Rizal 1950
99. **Office of the Municipal Mayor**
Baras, Rizal 1970
100. **Office of the Municipal Mayor**
Angono, Rizal 1930
101. **Office of the Municipal Mayor**
Tanay, Rizal 1980
102. **Office of the Municipal Mayor**
Baliwag, Bulacan 3006
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San Rafael, Bulacan 3008
104. **Office of the Municipal Mayor**
San Miguel, Bulacan 3011

- 105. Office of the Municipal Mayor**
San Idefonso, Bulacan 3010
- 106. Office of the Municipal Mayor**
San Pascual, Batangas 4204
- 107. Office of the Municipal Mayor**
Pililla, Rizal 1910
- 108. Office of the Municipal Mayor**
Morong, Rizal 1960
- 109. Office of the Municipal Mayor**
Binangonan, Rizal 1940
- 110. Office of the Municipal Mayor**
Amadeo, Cavite 4119
- 111. Office of the Municipal Mayor**
Indang, Cavite 4122
- 112. Office of the Municipal Mayor**
Mendez, Cavite 4121
- 113. Office of the Municipal Mayor**
Alfonso, Cavite 4123
- 114. Office of the Municipal Mayor**
Plaridel, Bulacan 3004
- 115. Office of the Municipal Mayor**
Malolos, Bulacan 3000
- 116. Office of the Municipal Mayor**
Calumpit, Bulacan 3003
- 117. Office of the Municipal Mayor**
Candaba, Pampanga 2013
- 118. Office of the Municipal Mayor**
Pulilan, Bulacan 3005
- 119. Office of the Municipal Mayor**
Apalit, Pampanga 2016
- 120. Office of the Municipal Mayor**
Rodriguez, Rizal 1860
- 121. Office of the Municipal Mayor**
Kawit, Cavite 4104
- 122. Office of the Municipal Mayor**
Noveleta, Cavite 4105

- 123. Office of the Municipal Mayor**
San Mateo, Rizal 1850
- 124. Office of the Municipal Mayor**
Imus, Cavite 4103
- 125. Office of the Municipal Mayor**
Bacoor, Cavite 4102
- 126. Office of the Municipal Mayor**
San Simon, Pampanga 2015
- 127. Office of the Municipal Mayor**
Hagonoy, Bulacan 3002
- 128. Office of the Municipal Mayor**
Paombong, Bulacan 3001
- 129. THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)**
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