

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



**IN THE MATTER OF THE
APPLICATION FOR AUTHORITY
TO DEVELOP A 138 KV/69 KV
POWER SUBSTATION IN
KIRAHON, VILLANUEVA,
MISAMIS ORIENTAL (KIRAHON
SUBSTATION), WITH PRAYER
FOR PROVISIONAL AUTHORITY**

ERC CASE NO. 2014-158 RC

**CAGAYAN ELECTRIC POWER
AND LIGHT COMPANY, INC.
(CEPALCO),**

Applicant.

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BOOKED
Date: NOV 10 2014
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ORDER

On November 3, 2014, Cagayan Electric Power and Light Company (CEPALCO) filed an application for authority to develop a 138 kV/69 kV power substation in Kirahon, Villanueva, Misamis Oriental (Kirahon Substation), with prayer for provisional authority.

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

1. It is a distribution utility duly organized and existing under Philippine law with principal office address at 44 Don Toribio Chavez Street, Cagayan de Oro City. It is the exclusive franchise holder to operate electric light and power services to the end-users of Cagayan de Oro City and in the Municipalities of Jasaan, Tagoloan and Villanueva, all in the Province of Misamis Oriental;
2. Based on its updated load forecast, its system peak demand is projected to increase at an average growth rate of 16% per year over the next three (3) years (2014-2016). This is due to the continued influx of large load

locators such as big commercial and industrial establishments in Cagayan de Oro City and the three (3) Municipalities of Tagoloan, Villanueva, Jasaan, including the PHIVIDEA area, all within its franchise area;

3. To address the projected load growth, it entered into a Power Supply Agreement (PSA) with MINERGY Coal Corporation (MCC) wherein MCC shall construct, own, operate and maintain a 2 x 55 MW coal-fired power plant in Balingasag, Misamis Oriental, to supply 100 MW of base load power for a period of twenty-five (25) years starting in the year 2017;
4. On June 26, 2013, CEPALCO and MCC filed a joint application with the Commission for the approval of their PSA, docketed as ERC Case No. 2013-134 RC;
5. On September 9, 2013, the Commission issued an Order in ERC Case No. 2013-134 RC provisionally approving the PSA and the authority to construct a 138 kV tie-line to connect the MCC power plant to CEPALCO's distribution system;
6. In order for it to receive and distribute the 100 MW power capacity contracted from MCC, it needs to construct the proposed 138 kV/69 kV receiving-end substation at Kirahon, Villanueva, Misamis Oriental;
7. By virtue of the said provisional authority, MCC has commenced construction of the power plant and the dedicated point-to-point 138 kV tie-line. Consistent with MCC's timeline, the coal plant will require back feed power supply for testing purposes by July 2015. This back feed power can only be supplied by it through the proposed power substation;
8. In brief, the development of the proposed 138 kV/69 kV Substation (Kirahon Substation) would involve the installation of six (6) sets of 138 kV gas-insulated power circuit breakers and fourteen (14) 138 kV disconnect switches, two (2) 150 MVA 138 kV/69 kV power transformer banks with on-load-tap-changers (OLTC), two (2) grounding reactors, fourteen (14) sets of 69 kV gas-insulated power circuit breakers and twenty-six (26) 69 kV disconnect switches, two (2) sets of 30 MVA capacitor bank, and the construction of twelve (12) kilometers 69 kV lines and other associated equipment;

9. The estimated project cost is as follows:

Project Cost Estimate for the Proposed 138/69 kV KIRAHON Substation				
	ITEM	US\$	PhP	Total
1	Total of Substation (EPCC)			
	Design & Engineering		12,750,000	12,750,000
	General Requirement		32,325,000	32,325,000
	Procurement-Indent Materials	11,143,144.85		501,441,518
	Construction		386,870,893	
	System Integration		3,800,000	
	Testing & Commissioning		2,500,000	
2	Total of Substation (Non-EPCC)	557,157.24	152,547,429	177,619,505
	Project Cost Grand Total (Excluding of 12% VAT)	11,700,302.10	590,793,322	1,117,306,917

10. The indicative rate impact of the project is as follows:

Project Cost (PhP)	1,117,306,917.65
Annual O&M Cost (PhP)	7,485,956
Rate impact (PhP/kWh)	0.2065

ALLEGATIONS IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

11. As earlier discussed, MCC has already commenced construction of its 2 x 55 MW coal-fired power plant by virtue of the provisional authority issued in ERC Case No. 2013-134RC. MCC will therefore require back feed power supply for testing purposes by July 2015. CEPALCO's receiving-end substation must therefore be completed by June 2015 if it is to provide the back feed power supply requirement of MCC;
12. If it will not be provisionally authorized to implement the proposed project, it will not be able to complete the construction of the proposed substation in time for the testing of the proposed power plant by July 2015. This will result in

project delays and CEPALCO will not be able to serve the power requirements of its incoming loads in the coming years;

13. As a consequence, it will not be able to meet its obligation to provide reliable and adequate power supply to its customers in a least cost and timely manner. It is, therefore, critical that a provisional authority be issued in favor of the proposed substation;
14. It submitted the following documents in support of the instant application:

Description of Supporting Document	Annex
Executive Summary (Project Overview)	"A"
Detailed Project Feasibility Study	"B"
Project Schedule (Gantt Chart)	"C"
Judicial affidavit of Engr. Leonardo G. Gumalal, in support of prayer for issuance of provisional authority	"D"
News article on Cagayan de Oro's Economic Growth	"E"
Copy of PSA Application between CEPALCO and Minergy Coal as filed before the Commission, docketed as ERC Case No. 2013-134 RC	"F"
Copy of Order dated September 9, 2013 issued in ERC Case No. 2013-134 RC granting Provisional Authority in favor of the proposed PSA	"G"

15. It prays that: a) upon the filing of the instant application and pending resolution of the case, an Order be issued granting provisional authority to commence the construction of the proposed 138 kV/69 kV power substation at Kirahon, Villanueva, Misamis Oriental; and b) after due notice and hearing, a Decision be issued approving instant application for the construction, ownership, operation and maintenance of the proposed 138 kV/69 kV power substation at Kirahon, Villanueva, Misamis Oriental.

Finding the said application to be sufficient in form and 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 **December 5, 2014 (Friday) at nine o'clock in the morning (9:00 A.M.) at the**

CEPALCO's Conference Room, T. Chaves Street, Cagayan de Oro City.

CEPALCO 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 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 hearings.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Provincial Governor of Misamis Oriental and the Mayors of the City and Municipalities within the franchise area of CEPALCO for the appropriate posting thereof on their respective bulletin boards.

CEPALCO 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, CEPALCO 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 Governor 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.

CEPALCO 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 CEPALCO 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, CEPALCO 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, November 3, 2014.

**FOR AND BY AUTHORITY
OF THE COMMISSION**


ZENAIDA G. CRUZ-DUCUT
Chairperson



Copy Furnished:

1. Atty. Ranulfo Ocampo
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4. Commission on Audit
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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. The City Mayor
Cagayan de Oro City
8. The Municipal Mayor
Tagoloan City, Misamis Oriental
9. The Municipal Mayor
Jasaan, Misamis Oriental
10. The Municipal Mayor
Villanueva, Misamis Oriental