

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



**IN THE MATTER OF THE
APPLICATION FOR
CONFIRMATION OF CAPITAL
EXPENDITURE PROJECTS
FOR 2018 TO 2020 AND
APPROVAL OF CAPITAL
EXPENDITURE PROJECTS
FOR 2021**

ERC CASE NO. 2021-068 RC

**OLONGAPO ELECTRICITY
DISTRIBUTION COMPANY
INC. (OEDC),**

Applicant.

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Promulgated:
September 10, 2021

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 24 August 2021, Olongapo Electricity Distribution Company Inc. (OEDC) filed an *Application* dated 15 July 2021, seeking the Commission's confirmation of its Capital Expenditure (CAPEX) Projects for 2018 to 2020 and approval of its CAPEX Projects for 2021.

The pertinent allegations in the said *Application* are hereunder quoted, as follows:

1. Applicant is a corporation duly organized and existing under Philippine law, with principal office address at 1170 Rizal Avenue East Tapinac Olongapo City, and is franchised under Republic Act No. 10373 to construct, own, operate and maintain an electric distribution system in the City of Olongapo and its suburbs.
2. Pursuant to existing ERC Guidelines particularly Resolution No. 18, Series of 2008, entitled "Resolution Adopting the Rules for Approval of Regulated Entities' Capital Expenditure Projects", as amended by Resolution No. 26, Series of 2009 and in relation with Section 43 (f) of Republic Act No. 9136, applicant is filing this Application.

3. The undertaking of the capital expenditure projects for OEDC's network and non-network assets are driven by these factors:

3.1 Safety

Considering that safety is a paramount concern in power distribution industry, continuous safety assessments are conducted with a view to ensure that everything is in order. After conducting technical simulations to assess the system's capacity to handle faults and its ability to absorb or divert surges, OEDC has considered to install neutral lines and distribution transformer (DT) station grounding as one of its CAPEX projects to address this safety concern.

In addition, structural rehabilitation project and office building repairs are included in the list of CAPEX projects to address safety concerns on the structural integrity of the substation and office building. On the other hand, to ensure the health and safety of the employees and service contractors during this pandemic, a contractor's temporary shelter was proposed to be constructed.

3.2 Capacity

In order to address the issue on capacity/overloading in Mercurio substation and to separate the flood prone area of Barangay Sta. Rita from other adjacent barangays, it has been proposed to enable Mercurio Feeder 1 project and the Mercurio Feeder 1 and Kale Feeder 1 Interconnection project. Similarly, to increase the system capacity due to this expected load growth, OEDC proposes to upgrade its distribution system and put up line extensions and expansion projects.

3.3 Reliability Improvement

Some of these capital expenditure projects aim to enhance the reliability, efficiency and power quality of OEDC's distribution system. These include construction of additional feeder and another 69kV line interconnection for alternate supply and feeder relay upgrading.

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3.4 Renewal/Refurbishment

Other capital expenditure projects are undertaken to improve and keep the existing assets well-maintained and to improve system performance for better customer service. Included are line revision and maintenance projects, and service materials for connection maintenance and repair.

3.5 Service Efficiency

With a view to efficiently serve the customers of Olongapo, OEDC also has to undertake enhancement in its communication and information systems equipment. Part of OEDC's capital expenditure program is the acquisition and development of e-services application, operating system and office productivity software, network performance monitoring system, acquisition of computer hardware, fixed asset register system, replacement and acquisition of office furniture and equipment, refurbishment and purchase of service vehicle and office building repairs in order to improve its processes and to provide better quality of customer service.

4. Shown below is a summary of the network and non-network CAPEX projects and their costs with the corresponding years.

| Proposed Projects | | | Project Cost (Php) | | | | |
|-------------------|---|-------------|--------------------|---------------|---------------|---------------|---------------|
| Project No. | Title | Type | 2018 | 2019 | 2020 | 2021 | Total |
| Network CAPEX | | | | | | | |
| AR-01 | Neutral Lines and DT Station grounding installation | Safety | 587,072.53 | 55,611.11 | 209,406.33 | 3,488,305.97 | 4,340,395.94 |
| AR-02 | Line Revision and Maintenance Projects | Safety | 22,621,464.09 | 20,446,354.78 | 15,988,378.27 | 17,345,218.28 | 76,401,415.41 |
| AR-03 | Service Materials for Connection Maintenance and Repair | Safety | 585,844.75 | 616,012.73 | 489,603.74 | 1,355,228.01 | 3,046,689.23 |
| AR-04 | New Feeder – Mercurio Feeder 1 | Capacity | | 5,388,372.53 | | | 5,388,372.53 |
| AR-05 | Mercurio and Kale Substation Medium-Voltage Tie-Line | Capacity | | | | 1,957,229.99 | 1,957,229.99 |
| AR-06 | Line Hardware and Service Materials for SMOC Connection | Capacity | | 2,207,123.05 | | | 2,207,123.05 |
| AR-07 | Line Extension and Expansion Projects | Capacity | 11,929,867.05 | 6,973,309.66 | 7,139,793.89 | 7,062,725.37 | 33,105,695.96 |
| AR-08 | Service Materials for New Connections and Reconnections | Capacity | 4,835,954.70 | 4,853,920.69 | 3,021,534.59 | 4,927,895.63 | 17,639,305.62 |
| AR-09 | OEDC Alternate Sub-transmission Supply | Reliability | | | | 1,148,982.88 | 1,148,982.88 |
| AR-10 | MF2 and MF6 Feeder Relay Upgrading | Reliability | | | | 349,695.18 | 349,695.18 |

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| Proposed Projects | | | Project Cost (Php) | | | | |
|--------------------|--|--------------------|----------------------|----------------------|----------------------|----------------------|-----------------------|
| Project No. | Title | Type | 2018 | 2019 | 2020 | 2021 | Total |
| Non-Network CAPEX | | | | | | | |
| BR-01 | Mercurio Substation Structural Rehabilitation | Safety | | | | 2,999,301.74 | 2,999,301.74 |
| BR-02 | Office Building Repairs and Improvements | Safety | | | | 178,002.50 | 178,002.50 |
| BR-03 | Contractor's Temporary Shelter | Safety | | | | 266,393.56 | 266,393.56 |
| BR-04 | Replacement and Acquisition of Communication Equipment | Service Efficiency | 20,000.00 | 116,210.43 | 48,000.00 | 1,930,735.00 | 2,114,945.43 |
| BR-05 | Replacement and Acquisition of Computer Equipment | Service Efficiency | 564,982.13 | 4,402,054.18 | 468,928.55 | 5,064,412.87 | 10,500,377.73 |
| BR-06 | Replacement and Acquisition of Tools, Shop and Garage Equipment | Service Efficiency | 423,105.25 | 458,830.18 | 177,553.58 | 129,756.33 | 1,189,245.34 |
| BR-07 | Replacement and Acquisition of Office Furniture and Equipment | Service Efficiency | 425,434.11 | 168,104.01 | 180,307.22 | 131,775.39 | 905,620.73 |
| BR-08 | Refurbishment of Service Vehicle | Service Efficiency | | | | 426,900.00 | 426,900.00 |
| BR-09 | Replacement of Meter Reading Devices | Service Efficiency | | | | 625,680.00 | 625,680.00 |
| BR-10 | ICT Facilities Installation at New Main Office (PHILAM) | Service Efficiency | 725,347.64 | 58,234.82 | | | 783,582.46 |
| BR-11 | Fiber Optic Cable (FOC) Link Installation at Kale and CBMU Substations | Service Efficiency | | 3,728,762.79 | | | 3,728,762.79 |
| BR-12 | Establishment of Offsite Backup and Recovery Site Infrastructure | Service Efficiency | | 2,176,696.43 | | | 2,176,696.43 |
| BR-13 | Acquisition of Network Performance Monitoring System | Service Efficiency | | | 919,642.86 | | 919,642.86 |
| BR-14 | Acquisition of Software Application and License | Service Efficiency | 135,946.47 | | 462,946.43 | | 598,892.90 |
| BR-15 | Information System Development: Development of Fixed Asset Register (FAR) System | Service Efficiency | | | 2,546.50 | 1,124,086.00 | 1,126,632.50 |
| BR-16 | Installation of Surveillance System at Mercurio Substation | Service Efficiency | | 88,816.44 | | | 88,816.44 |
| BR-17 | Fabrication of Enclosure for Storage and Safekeeping of Documents | Service Efficiency | | | | 108,000.00 | 108,000.00 |
| BR-18 | Installation of Base Radio at New Kale Substation | Service Efficiency | | 25,000.00 | 43,000.00 | | 68,000.00 |
| BR-19 | Synergi Electric Power System Simulation Software License Acquisition | Service Efficiency | | | | 2,500,000.00 | 2,500,000.00 |
| Grand Total | | | 42,855,018.72 | 51,763,413.83 | 29,151,641.95 | 53,120,324.70 | 176,890,399.21 |

5. To support this Application, OEDC attached the following:

| Annex | Document |
|-------|---|
| A | Company Profile |
| B | Distribution Planning Process |
| C | Forecasting |
| D | Performance Assessment of the Distribution System |
| E | Summary of Identified Problems, Goal Setting and Prioritization |
| F | Summary of Proposed Capital Projects and Project Cost |

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| | |
|--------------------|---|
| G | Financing Plan |
| H | Rate Impact Simulation |
| I and sub markings | Details of the Projects including justification, technical analysis, cost analysis and other information |
| J and sub markings | Detailed Breakdown of the project cost of each project |
| K and sub markings | Computations on the technical analysis and economic analysis, historical and 10-year forecast and Gantt charts (soft copy only) |

6. The total cost of these projects is 176,890,399.21 and since this is very substantial, OEDC has to secure long term loans from banks to finance project implementation.
7. Shown below is a simulation of the estimated rate impact of the proposed capital expenditure projects:

| Computation of Impact to Rates | |
|------------------------------------|----------------|
| Description | Total |
| Total Project Cost, Peso | 176,890,399.21 |
| Total Asset Base subject to Return | 176,890,399.21 |
| Return on Rate Base/WACC | 12% |
| Annual Revenue Requirement, ARR | |
| 1. Return on Capital | 21,226,847.90 |
| 2. Depreciation | 11,055,649.95 |
| Total ARR | 32,282,497.86 |
| Energy Sales, kWh | 191,690,744.00 |
| Rate Impact, P/kWh | 0.1684 |

Compliance of Pre-filing Requirements

8. Applicant manifests that it has complied with the pre-filing requirements in accordance with the Implementing Rules and Regulations of the EPIRA and Rule 6 of the Revised Rules of Rules of Practice and Procedure of the Energy Regulatory Commission. Below are the documents as proof of the compliance:

| Annex | Document |
|-------|---|
| L | Secretary's Certificate |
| M | Proof of Service of the Application and its annexes to the Mayor's Office of Olongapo City |
| N | Proof of Service of the Application and its annexes to the Sangguniang Panglungsod of Olongapo City |
| O | Affidavit of Publication by the Newspaper Editor |
| O-1 | Page of the newspaper where the copy of the Application was published |
| O-2 | Complete copy of the newspaper where copy of the Application was published |

9. As stated above, due to the continuous growth in the demand of electricity, OEDC needs to implement these projects in

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order for the distribution system facilities to work efficiently and reliably and to provide better quality of customer services.

10. The construction of the above capital expenditure projects takes time and also require long lead time for the ordering of electrical and ICT equipment, materials and other electrical hardware as well as finding contractors who can implement the projects.

PRAYER

WHEREFORE, it is most respectfully prayed of this Honorable Commission that after due proceedings the implementation of the above capital expenditure projects be approved.

Other just and equitable relief are also prayed for.

Applicant likewise prays for such other and further relief as may be deemed just and equitable in the premises.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020¹ dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)²:

| Date | Platform | Activity |
|--|------------------------|--|
| 21 October 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.) | Microsoft Teams | Determination of compliance with the jurisdictional requirements and Expository Presentation |
| 28 October 2021 (Thursday) at nine o'clock in the morning (9:00 A.M.) | Microsoft Teams | Pre-trial Conference and Presentation of Evidence |

Accordingly, OEDC is hereby directed to host the virtual hearings at **OEDC's Principal Office at 1170 Rizal Avenue East Tapinac Olongapo City** as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, OEDC shall

¹ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission, promulgated on 17 November 2020.

² A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via electronic mail (e-mail) at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least five (5) calendar days prior to the date of the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name, mailing address, and e-mail address;
- 2) The nature of petitioner's interest in the subject matter of the proceeding and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- 3) A statement of the relief desired.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may likewise file through e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least five (5) calendar days prior to the initial virtual hearing and subject to the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and

3) The grounds relied upon.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, with their respective e-mail addresses and indicating therein the case number of the instant *Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Commissioners **ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL** and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 3rd day of September 2021 in Pasig City.



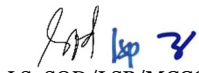
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Chairperson and CEO

ERC

Office of the Chairperson



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