

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 A
DEDICATED POINT TO
POINT LIMITED
TRANSMISSION LINE TO
CONNECT THE 16 MW
PHESI WIND FARM TO
NPC'S 69 kV
TRANSMISSION LINE**

ERC CASE NO. 2018-004 MC

**PHILIPPINE HYBRID
ENERGY SYSTEMS, INC.
(PHESI),**

Applicant.

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Promulgated:
MAY 24 2019

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 22 March 2018, the Philippine Hybrid Energy Systems, Inc. (PHESI) filed an *Application* dated 21 March 2018, seeking approval of the authority to develop, own and operate a dedicated point-to-point limited transmission line to connect the 16 MW PHESI wind farm to National Power Commission's (NPC's) 69 kV transmission line.

PHESI alleged the following in its *Application*:

THE APPLICANT

1. PHESI is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Unit 8A 8th Floor Inoza Tower, 40th St., Bonifacio Global City, Taguig City. Copies of its Certificate of Incorporation with attached Articles of Incorporation and General Information Sheet for the year 2017 are attached as Annexes "A" and "B" respectively.

2. It may be served with orders and other processes through the undersigned counsel.

THE NATURE OF THE APPLICATION

3. The instant application is filed pursuant to Section 9(f) of Republic Act No. 9136 or the “Electric Power Industry Reform Act of 2001” and Section 5, Rule 5 of its Implementing Rules and Regulations (“IRR”).

STATEMENT OF FACTS

4. PHESI was organized to design, construct, erect, assemble and operate wind, diesel-turbine, and other power-generating plants and related facilities.
5. PHESI is in the process of constructing a 16 MW Wind Energy Power Facility (WEPF) on Mt. Paitan in Puerto Galera, Oriental Mindoro.
6. The output of this plant has been contracted to Oriental Mindoro Electric Cooperative, Inc. (“ORMECO, Inc.”). On 10 April 2014, the Honorable Commission issued an Order provisionally approving the Energy Sales Agreement (“ESA”) and Addendum entered into by ORMECO Inc. and PHESI in ERC Case No. 2014-001 RC entitled *In the Matter of the Approval of the Energy Sales Agreement (ESA) between Oriental Mindoro Electric Cooperative, Inc. (ORMECO) and Philippine Hybrid Energy Systems Incorporated (PHESI), with Prayer for the Issuance of Provisional Authority*.
7. PHESI plans to dispatch its generated power to ORMECO, Inc. through the existing 69 kV line between Calapan and Minolo (Puerto Galera) that is currently owned and operated by the National Power Corporation (“NPC”), with the connection point located in Barangay Tabinay. A description of the project is attached as **Annex “C”**.
8. PHESI proposes to construct, install, operate and maintain the following dedicated point-to-point limited transmission facilities: (i) 20 MVA, 22.8 kV/69 kV substation and all associated equipment on Mt. Paitan; (ii) 69 kV transmission line with an approximate length of 8 km; and (iii) metering station and all associated equipment at the connection point.
9. Before finally deciding on the proposed connection point, PHESI also considered locating the connection point at Balatero Port (closer to the Minolo substation) or La Brisa Compound. PHESI, however, could not procure any property for the necessary construction at La Brisa Compound because it could not locate any interested landowner. Locating the connection point at Balatero Port also proved impracticable after further investigation revealed that, not only would PHESI have to construct a line to

traverse from Balatero Port up to the proposed substation, but property prices in the area also proved to be more expensive than Puerto Galera. A description of the considered alternatives is detailed in **Annex “D”**.

10. PHESI initially intended to utilize a T-connection with disconnect switch, circuit breaker and line protection. NPC however imposed a cut-in connection scheme as a condition for the execution of a connection agreement. PHESI was forced to accede to this demand given the urgent necessity for a connection agreement.
11. A connection agreement with NPC was finally executed on 16 November 2017, a copy of which is attached as **Annex “E”**. This agreement contained the following material provisions:
 - 11.1. PHESI has the obligation to *inter alia* (1) “(d)esign, finance, procure, construct, operate and maintain the connection facilities that will be tapped along the NPC’s 69 kV transmission line between Minolo S/S and Calapan Diamond S/S from its powerhouse located in Barangay Baclayan, Puerto Galera, Oriental Mindoro and complete with all the needed and required appurtenant interconnection, control, communication, metering and protection equipment, control cubicles, relays and other necessary instruments/equipment”; and (2) “(f)ile with ERC an application to recover whatever costs were or may be incurred and, where applicable, pray for ERC to determine the party or person from whom such costs shall be collected, in accordance with the existing rules and regulation.”
 - 11.2. “All drawings and documents relative to the connection of PHESI’s Power Station to NPC’s 69 kV transmission system shall be submitted for review and approval of NPC prior to installation.”
 - 11.3. “In the event that ownership of the connection facilities/assets shall be transferred to NPC,” the latter shall “operate, maintain and repay PHESI the cost of putting up the transferred facilities as determined, fixed, and approved by ERC.”
12. A single line diagram showing the facilities to be constructed is attached as **Annex “F”**.
13. The construction and installation of these facilities was initially estimated to cost P131,302,285.00. A variation of P102,763,297.78 is currently projected, of which P51,359,755.60 is due to the change to the cut-in connection scheme imposed by NPC. The Point to Point – Revised Contract Sum as of 26 February 2018 is attached as **Annex “G”**.

14. The Distribution Impact Study (“DIS”) found that the connection of the PHESI 16 MW Wind Energy Power Facility to the ORMECO 69 kV grid is technically feasible. A copy of the DIS is attached as **Annex “H”**.
15. Upon the issuance by the Honorable Commission to PHESI of the authority to develop, own and operate the Dedicated Facility subject of this Application, it intends to engage the services of ORMECO, Inc. or any of its authorized operation and maintenance providers in order to undertake the operation, service and maintenance of the Dedicated Facility involving, among others, periodic inspection of the point-to-point interconnection facilities, regular assessment of pole and wire conditions.
16. PHESI will subsequently apply with the Honorable Commission for the issuance of a Certificate of Compliance (COC) for its 16 MW WEPF.
17. In further support of the application, PHESI hereby submits copies of the following documents:

Annex	Documents
“I”	Gantt Chart;
“J”	Audited Financial Statements for the years ended 31 December 2016 and 2015;
“K”	Secretary’s Certificate attesting that PHESI authorized the construction of the Dedicated Facility;
“L”	Sworn Statement by the authorized representative that PHESI has applied and been granted permits for the Dedicated Facility;
“M”	Five-year projected Financial Ratios; and
“N”	Certification from Department of Environment and Natural Resources (DENR) Environmental Management Bureau.

PRAYER

WHEREFORE, premises considered, it is most respectfully prayed to this Honorable Commission that, after hearing thereon on the merits, a **DECISION** be rendered: (1) granting PHESI’s application for authority to develop, own and operate dedicated point-to-point limited transmission facilities; (2) determining the proper party to bear the cost of the connection facilities that will be tapped along NPC’s 69 kV transmission line as well as the proper mechanism for recovery; and (3) confirming PHESI’s asset boundary and line protection responsibility.

Other just and equitable reliefs are likewise prayed for.

On 27 July 2018, the Commission issued an *Order and Notice of Public Hearing*, both dated 16 July 2018, setting the *Application* for determination of compliance with jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on 30 August 2018.

On 06 August 2018, PHESI filed a *Motion to Reset Hearing* (Motion) dated 3 August 2018 praying that the hearing set on 30 August 2018 be reset to another date since the counsel of the Applicant has another hearing set on the same date and time.

Finding the *Motion* in order, the same has been granted by the Commission.

Accordingly, the Commission has set anew the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **20 June 2019 (Thursday) at two o'clock in the afternoon (2:00 P.M.) at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission a verified Petition to Intervene at least five (5) days prior to the initial hearing and subject to the requirements under Rule 9 of the 2006 ERC Rules of Practice and Procedure, indicating therein the docket number and title of the case and stating the following:

- 1) The petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the case may file their Opposition or Comment thereon at any stage of the proceeding before Applicant rests its case, subject to the requirements under Rule 9 of the 2006 ERC 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 and address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All such persons who wish to have a copy of the *Application* may request from Applicant that they be furnished with the same, prior to the date of the initial hearing. Applicant is hereby directed to furnish all those making such request with copies of the *Application* and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the *Application* and other pertinent records filed with the Commission during the standard office hours.

WITNESS, the Honorable Chairperson and CEO **AGNES VST DEVANADERA**, and Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA** and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 21st day of May 2019 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal

LS: MYM/LSF/GLO
