

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF CAPITAL  
EXPENDITURE PROJECTS  
FOR CALENDAR YEAR 2018,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2018-124 RC**

**VISAYAN ELECTRIC  
COMPANY, INC. (VECO),  
Applicant.**

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promulgated  
FEB 20 2019

**NOTICE OF PUBLIC HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 28 December 2018, the Visayan Electric Company, Inc. (VECO) filed an *Application* dated 22 November 2018 (*Application*) seeking the Commission's approval of the Capital Expenditure Projects for Calendar Year 2018, with prayer for provisional authority.

In the said *Application*, VECO alleged the following, among others:

1. VECO is a private corporation existing under the laws of the Republic of the Philippines, with principal business address at J. Panis Street, Banilad, Cebu City. It is a duly authorized distribution utility of electric power in the municipalities of San Fernando, Minglanilla, Consolacion and Lilo-an and the Cities of Naga, Talisay, Cebu and Mandaue, Province of Cebu, pursuant to its franchise under Republic Act No. 9339. VECO may be served with orders and other processes of the Honorable Commission through its undersigned counsel at the address indicated below.
2. The Electric Power Industry Reform Act ("EPIRA"), under Section 23, obligates VECO, as well as other distribution utilities, to

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provide distribution services and connections to its customers consistent with the distribution code.<sup>1</sup>

3. Thus, VECO, in accordance with Section 20 (b) of Commonwealth Act No. 146,<sup>2</sup> hereby applies for the approval of the Capital Expenditure (CAPEX) Projects for Calendar Year (“CY”) 2018.
4. VECO’s CAPEX projects are grouped into “Network Assets”, “Other Network Assets” and “Non-Network Projects”.
5. The project under the “Network Assets” category is “Hybrid Underground System Phase 3” project.
  - 5.1. The project, which is an underground distribution system that will span along Imus Avenue from Cor. Sikatuna St. to Cor. General Maxilom Ave, will address VECO’s compliance to the statutory requirements of Cebu City Ordinance No. 1894 dated April 25, 2001. Inherently, this underground distribution system would also improve the reliability of the system and the safety of the general public.
6. The projects under the “**Other Network Projects**” category are the following:
  - o Automated Switches
  - o Communication Equipment
  - o Customer Service – Wires and Metering Equipment
  - o Distribution Transformers
  - o Overhead Conductors
  - o Poles and Fixtures
  - o Station Equipment
  - o Power Factor Improvement Project
  - 6.1. The “**Automated Switches**” project involves acquiring automated switches, which include Load Break Switches and Reclosers, that will be used by VECO for 2018. The project will increase reliability of the power system and reduce the interruption time.
  - 6.2. The “**Communication Equipment**” project involves the acquisition of communications equipment to be used by VECO for 2018. These equipment will be used for the proper communication between VECO’s automated equipment in the field or substation to and from VECO’s system operation control center.
  - 6.3. The “**Customer Service – Wires and Metering Equipment**” project will serve customer request for electric service connection, and for maintenance and new installation of revenue meters

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<sup>1</sup> Section 23 of RA 9136, as implemented by Rule 7, Section 4 of the EPIRA Implementing Rules and Regulations (“EPIRA IRR”).

<sup>2</sup> Public Service Act

- 6.4. The “**Distribution Transformers**” project involves the acquisition of distribution transformers, according to kVA rating and type, to be used by VECO for 2018. This project will aid VECO in catering to increase in customer demand, refurbishment or replacement of distribution transformers and new customer request applications.
- 6.5. The “**Overhead Conductors**” project involves the acquisition of overhead conductors to be used by VECO for 2018. This project will address the yearly requirements of VECO for its supply of overhead conductors needed to serve its consumers.
- 6.6. The “**Poles and Fixtures**” project involves the acquisition of the needed poles, with compatible accessories/fixtures, to be used by VECO for the year 2018, needed to improve reliability and availability of the overhead distribution network.
- 6.7. The “**Station Equipment**” project involves the acquisition of equipment to be used by VECO in its various substations. With the project in place, VECO will be able to efficiently maintain its substation assets.
- 6.8. The “**Power Factor Improvement**” project involves the 2018 acquisition of capacitor banks to be used by VECO to maintain the proper allowable voltage operating range within the distribution system. This project will also alleviate technical system loss through capacity optimization.
7. The projects in the “**Non-network Projects**” category include the following:
  - Computers
  - Tools and Instruments
  - Vehicles
- 7.1. The “**Computer**” project involves the acquisition of new computer units to replace old computer units. This also includes acquisition and maintenance of computer software for simulation, drawing and testing of the assets in the distribution network.
- 7.2. The “**Tools and Instrument**” project involves the acquisition of tools and instruments to be used for monitoring the system power quality and addressing customer issues, maintenance of power metering instruments and substation equipment testing devices and other distribution network tools.
- 7.3. The “**Vehicles**” project involves the acquisition of new vehicles, such as bucket trucks, low-bed trailer and prime mover, used for network maintenance and development works. These vehicles are needed for works such as transporting mobile substations, pole erection, installation

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and line attachments, as well as for transferring and mobilizing power transformer. The project also involves the acquisition of motorbikes for use by field distribution engineers, especially for emergency response activities.

8. The total estimated cost of the proposed CAPEX projects for CY 2018 is PhP 1,126,317,180.00, broken down as follows:

<b>NETWORK PROJECTS</b>		92,540,371
Hybrid Underground System Phase 3	92,540,371	
<b>OTHER NETWORK PROJECTS</b>		960,302,517
Automated Switches	39,310,473	
Communication Equipment	21,719,950	
Customer Service – Wires and Metering Equipment	127,034,357	
Distribution Transformers	359,140,694	
Overhead Conductors	66,476,570	
Poles and Fixtures	300,929,866	
Station Equipment	40,191,085	
Power Factor Improvement Project	5,499,522	
<b>NON-NETWORK PROJECTS</b>		73,474,292
Computers	1,766,725	
Tools and Instruments	33,126,307	
Vehicles	38,581,260	
<b>TOTAL CAPEX 2018</b>		1,126,317,180

9. The proposed CAPEX for CY 2018 will not have a direct impact on the current rates of VECO until approved by the Honorable Commission as part of VECO's Regulatory Asset Base in the next applicable Regulatory Period.
10. The detailed explanation, description, economic analysis, justification, alternatives considered, as applicable, and other information on VECO's CAPEX projects for CY 2018, are discussed in detail in Annex "A" of this Application.
11. Applicant undertakes to comply with the pre-filing requirements under Section 4(e) of the EPIRA IRR, as amended,

**ALLEGATIONS IN SUPPORT OF THE PRAYER  
FOR PROVISIONAL AUTHORITY**

12. Public interest and necessity requires the immediate implementation, without delay, of the subject CAPEX projects. The loading and reliability constraints of the current substations are reaching critical levels, necessitating the upgrade and/or construction of the relevant substations. Aside from these, in the event that the CAPEX projects are not immediately implemented, the consumers may suffer from prolonged power interruptions and additional load coming from existing and new customers may likewise not be accommodated. These negative consequences, which are detrimental not only to the economy of the areas covered by VECO, but also to the livelihood and everyday lives of the consumers may be mitigated by the immediate approval of the VECO 2018 CAPEX projects.

13. Thus, pending final approval, there is an urgent need for a provisional authority for VECO to immediately implement its proposed 2018 CAPEX projects. In support of the prayer for the grant of a provisional authority, attached as Annex "B" is the Judicial Affidavit of Mr. Noel S. Modesto of VECO.
14. The foregoing CAPEX for CY 2018 are indispensable for the systematic and economic expansion and rehabilitation of VECO's distribution facilities and ensuring compliance with safety, performance and regulatory requirements. The benefit arising from these CAPEX projects will ultimately redound to the end-consumers in terms of continuous, reliable and efficient power supply.

**PRAYER**

**WHEREFORE**, it is respectfully prayed that the Honorable Commission:

1. APPROVE the proposed Capital Expenditure Projects for Calendar Year 2018; and
2. Pending trial on the merits, issue an Order granting Provisional Authority authorizing Visayan Electric Company, Inc. (VECO) to implement its proposed Capital Expenditure Projects for Calendar Year 2018.

Other reliefs just and equitable under the premises are likewise prayed for.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **14 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.)**, at **ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu 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 the Honorable Commissioners **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 18<sup>th</sup> day of February 2019 in Pasig City.

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
*Oversight Commissioner for Legal*