

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
CAPITAL EXPENDITURE  
PROGRAM FOR  
REGULATORY YEARS 2019  
AND 2020**

**ERC CASE NO. 2019-036 RC**

**TARLAC ELECTRIC, INC.  
(TEI),**

**Applicant.**

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Promulgated:

JUN 07 2019

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 17 May 2019, the Tarlac Electric, Inc. (TEI) filed an *Application* dated 10 May 2019 seeking the Commission's approval of the Capital Expenditure Program for regulatory years 2019 and 2020

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

1. Applicant TEI is a Distribution Utility (DU) duly organized and existing under Philippine law, with principal office address at Mabini Street, Tarlac City, Tarlac; franchised under Republic Act No. 10795 to distribute electricity in Tarlac City. It is represented by its President and General Manager, Vitus M. Romero.
2. TEI's franchise area covers 275 square-kilometers, consisting of 76 barangays, with a peak demand of 80 MW registered in 2018. TEI currently has six (6) substations with a total capacity of 156 MVA. From these substations are connected twenty (20) 13.8 kV feeders.
3. TEI is part of the Third Entry Group (otherwise known as "Group C") that entered the performance-based regulation ("PBR") rate setting methodology on July 1, 2010. The Commission approved TEI's Capital Expenditure Program for the entire 2<sup>nd</sup> Regulatory Period (RP) from July 1, 2010 to June 30, 2014 in TEI's

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Final Determination dated March 8, 2010 (ERC Case No. 2009-042RC).

4. The last year of TEI's Second Regulatory Period expired last June 30, 2014. The Third Regulatory Period (3RP) for the Third Entry Group was supposed to have commenced on July 1, 2014 and ended on June 30, 2018. While the Commission has already released the Modified Rules for Setting Distribution Wheeling Rates (RDWR) under ERC Resolution No. 25, Series of 2016, TEI is still waiting for the go-ahead from the Commission to file its 3<sup>rd</sup> RP reset application.

5. Given that it has no approved CAPEX program after 30 June 2014, TEI is thus constrained to file the following CAPEX projects for RY 2019 and 2020 to enable it to provide a continuous and reliable service to its customers and to be able to cater to load growth, to wit:

Network Projects				
Project Code	RY	Proposed Projects	Description	TOTAL Project Cost
001	2020	Upgrading of Maliwalo Substation	Additional 25/33 MVA, 69/13.8 kV, OA/FA power transformer and accessories including extension of 7.5 km underbuilt primary lines, and rehabilitation of old Maliwalo substation switchgear and control house.	PhP96,660,373.36
Non-Network Projects				
002	2020	Upgrade to Full Scada Implementation for San Rafael, LIP, San Vicente, Panganiban, Maliwalo and TPC	Automation of all TEI's substations into One (1) complete SCADA system and separate it from TEI's Corporate Data Network	PhP81,844,708.35
003	2020	Construction of Communication Towers for all TEI Offices and Substations	Construction of six (6) units 50-meters Communication Towers at TEI Main Office, LIP Substation, San Rafael Substation, Maliwalo Substation, proposed San Vicente Substation, and Sto. Niño (TPC) Substation	PhP52,787,348.66

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004	2019	Acquisition of Additional Server and Storage System for TEI's Network	Acquisition of Servers, Switches, and Storage for TEI's Operations/Network	PhP43,269,080.43
005	2019	Acquisition of Additional TEI Cyber Security and Threat Protection Project	Acquisition Hardware Appliance and Software subscription for Cybersecurity and Threat Prevention (Firewalls) for TEI's Indoor and Outdoor Network Infrastructure.	PhP19,584,056.47
006	2019	Acquisition of Service Vehicles	Replacement of Old Service Vehicles: <ul style="list-style-type: none"> <li>• Seven (7) Units of 4x2 Pick-up</li> <li>• Two (2) Unit of 4x4 Pick-up</li> </ul>	PhP9,917,600.00
<b>TOTAL CAPEX RY 2019-2020</b>				<b>PhP304,063,167.27</b>

6. The total cost of the projects will be financed from internally generated funds.

7. TEI submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time it is put in service and considered used and useful, be considered as a deferred amount to be included in TEI's succeeding Regulatory Period reset calculations.

8. TEI submits the following documents in support of the application:

<b>Annex</b>	<b>Description of Document</b>
Annex A	Executive Summary
Annex B	TEI's System Map
Annex C	Single line diagram of the distribution system (substation plus primary feeder line)
Annex D	Distribution Planning Procedure
Annex 1.1	Technical and Economic Analysis
Annex 1.2	Supplier Quotation 1
Annex 1.3	Supplier Quotation 2
Annex 2.1	Substation Automation System (SAS) and Remote Terminal Unit (RTU) Quotation
Annex 2.2	Substations and Control Center Panels with Redundancy Quotation
Annex 2.3	TEI SCADA SAS with Redundancy (Support Documents)
Annex 3.1	Communication Tower Quotation
Annex 3.2	Communication Rooms Quotation
Annex 4.1	Cisco Network quote

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Annex 5.1	Firewall security quote
Annex 6.1	List of Service Vehicles
Annex 6.2	Toyota SRP List 2019
Annex 6.3	Mitsubishi Pricelist Philippines
Annex 6.4	Ford Price List
Annex 7	TEI CAPEX RY 2019-2020_Economic Analysis and Rate Impact

WHEREFORE, TEI respectfully prays that the Honorable Commission approved its proposed Capital Expenditure Program for Regulatory Years (RY) 2019 and 2020.

TEI further prays that the building block components, particularly the return of capital and return on capital associated therewith, from the time it is put in service and considered used and useful, be considered as a deferred amount to be included in TEI's succeeding Regulatory Period reset calculations.

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on **05 September 2019 (Thursday) at one o'clock in the afternoon (1:00 P.M.) at TEI's Principal Office at Mabini Street, Tarlac City, Tarlac.**

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

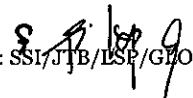
particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 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 **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, and **PAUL CHRISTIAN M. CERVANTES**, Energy Regulatory Commission, this 30<sup>th</sup> day of May 2019 in Pasig City.

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

  
LS: SSI/JTB/LSP/GJO