

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



**IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF ADDITIONAL MAJOR  
CAPITAL EXPENDITURE  
PROJECTS, WITH PRAYER FOR  
PROVISIONAL AUTHORITY**

**ERC CASE NO. 2014-040 RC**

**OLONGAPO ELECTRIC  
DISTRIBUTION CORPORATION  
(OEDC),**

**Applicant.**

X-----X

**BOOKED**  
Date: JUN 20 2014  
By: *[Signature]*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on April 2, 2014, the Olongapo Electric Distribution Corporation (OEDC) filed an application for approval of additional major capital expenditure projects, with prayer for provisional authority.

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

1. It is a corporation duly organized under Philippine law, with office address at Ecaldre Building, 2270 Rizal Avenue, Olongapo City. It 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. It is represented by its President, Mr. Jose Maria Abaya;
2. When it took over the assets and operations of the electric distribution system in Olongapo City from the Olongapo Public Utility Department (OCPUD) in June 2013, it found the records in disarray with high system loss (37%), low collection efficiency (50%) and in gross violation of the technical standards set in the Philippine Distribution Code (PDC);

3. It, thus, had to undertake several additional major capital expenditure projects to stem the losses and bring its distribution system up to technical standards;
4. It, therefore, seeks approval of the proposed additional Major Capital Expenditure Projects:

<b>EMERGENCY CAPEX PROJECTS</b>	<b>AMOUNT (PhP)</b>
CAPEX to Improve Billing and Collection System	
Non-technical loss reduction project, including meter change-out	122,434,717.00
Data Gathering Procedures and Database Build-Up on the Existing Distribution Assets of OEDC and their Electrical Relationship and Location	6,582,285.00
Acquisition and Installation of Feeder Meters	419,900.00
CAPEX to Improve Reliability, Safety and Efficiency of the Distribution System	
Replacement of the 5 MVA, 69/4.16 kV Power Transformer to 15/20 MVA, 69/13.8 kV Power Transformer of CBMU Substation	49,630,656.00
Conversion of CBMU 4.16 kV feeder to 13.8 kV system	41,500,088.00
Line Rehabilitation and Reconductoring of OEDC's Medium-Voltage Distribution Lines	21,859,968.00
Optimization of Distribution Transformer (DT) Utilization (buy-out/replacement of customer-owned DTs with Utility-owned DTs) and Load Centering	52,758,228.00
<b>SUB-TOTAL (PhP)</b>	<b>165,748,940.00</b>
<b>GRAND TOTAL (PhP)</b>	<b>295,185,842.00</b>

5. Shown below is a simulation of the estimated rate impact of the proposed additional Major Capital Expenditure Projects:

	<b>A.1 Meter Change-out and Clustering</b>	<b>A.2 Data Gathering Procedures and Database Build-Up</b>	<b>A.3 Acquisition &amp; Installation of Feeder Meters</b>	<b>A.4 Replacement of 5 MVA Transformer @ CBMU</b>	<b>A.5 Conversion of CBMU Line</b>	<b>A.6 Rehabilitation &amp; Reconductoring of Medium Voltage Line</b>	<b>A.7 DT Optimization &amp; Load Centering</b>	<b>TOTAL</b>
Total Project Cost, Peso	122,434,717.00	6,582,285.00	419,900.00	49,630,656.00	41,500,088.00	21,859,968.00	52,758,228.00	295,185,842.00
Add: Working Capital (7.8% of OPEX)	1,378,843.00	74,129.00	4,729.00	558,934.00	467,368.00	246,184.00	594,156.00	3,324,343.00
Total Asset Base subject to Return	123,813,560.00	6,656,414.00	424,629.00	50,189,590.00	41,967,456.00	22,106,152.00	53,352,384.00	298,510,185.00
Return on Rate Base/WACC	14.97%	14.97%	14.97%	14.97%	14.97%	14.97%	14.97%	14.97%
<b>Annual Revenue Requirement, ARR</b>								
1. OPEX	17,677,475.00	950,369.00	60,626.00	7,165,816.00	5,991,901.00	3,156,205.00	7,617,384.00	42,619,776.00
2. Return on Capital	18,534,890.00	996,465.00	63,567.00	7,513,382.00	6,282,528.00	3,309,291.00	7,986,852.00	44,686,975.00
3. Depreciation	7,652,170.00	411,393.00	26,244.00	3,101,916.00	2,593,756.00	1,366,248.00	3,297,389.00	18,449,115.00
<b>Total ARR</b>	<b>43,864,534.00</b>	<b>2,358,227.00</b>	<b>150,437.00</b>	<b>17,781,114.00</b>	<b>14,868,185.00</b>	<b>7,831,744.00</b>	<b>18,901,625.00</b>	<b>106,755,866.00</b>
Energy Sales, kWh	211,992,606.00	211,992,606.00	211,992,606.00	211,992,606.00	211,992,606.00	211,992,606.00	211,992,606.00	211,992,606.00
Rate Impact, PhP/kWh	<b>0.2069</b>	<b>0.0111</b>	<b>0.0007</b>	<b>0.0839</b>	<b>0.0701</b>	<b>0.0369</b>	<b>0.0892</b>	<b>0.4989</b>

6. It prays that upon receipt by the Commission of the instant application, a provisional authority be issued authorizing it to implement the proposed major capital expenditure projects and, after due notice and hearing, a Decision be issued approving the proposed major capital projects with finality.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 11, 2014 (Friday) at ten o'clock in the morning (10:00 A.M.) at the 2<sup>nd</sup> Floor, Max Restaurant, No. 16 Magsaysay Drive, Olongapo City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (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 proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicant is hereby directed to furnish all those making a request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

**WITNESS**, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **MARIA VICTORIA C. YAP-TARUC**, and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, Energy Regulatory Commission, this 16<sup>th</sup> day of June 2014 at Pasig City.

  
**ATTY. FRANCIS SATURNINO C. JUAN**  
Executive Director III