

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City



IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO IMPLEMENT THE PROPOSED CAPITAL EXPENDITURE PROGRAM FOR REGULATORY YEAR (RY) 2017, WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC Case No. 2016-210RC

CLARK ELECTRIC DISTRIBUTION CORPORATION (CEDC),
Applicant.

D O C K E T E D
Date: FEB 14 2017
By: [Signature]

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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 29 December 2016, Applicant Clark Electric Distribution Corporation (CEDC), filed an Application for authority to implement its Capital Expenditure Program for 2017.

In its Application, CEDC alleged, among others, the following:

1. CEDC is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga, Philippines; franchised by the Clark Development Corporation (CDC) pursuant to Executive Order No. 80, to operate and maintain a power distribution system within the Clark Special Economic Zone; and represented herein by its President, Ricardo V. Buencamino.

2. CEDC is part of the Fourth Entry Group (otherwise known as “Group D”) that entered into the performance-based regulation (“PBR”) rate setting methodology in October 1, 2011.
3. The Honorable Commission approved CEDC’s Capital Expenditure Program for the entire Second Regulatory Period – October 11, 2011 to September 30, 2015 in CEDC’s Final Determination dated July 6, 2011 (ERC Case No. 2010-131RC).
4. The last year of CEDC’s Second Regulatory Period is expired last 30 September 2015. The Third Regulatory Period (3RP) for the Fourth Entry Group was supposed to have commenced last 1 October 2015 and end on 30 September 2019. While the Commission has already released the Modified Rules for Setting Distribution Wheeling Rates (RDWR) under ERC Resolution No. 25, Series of 2016, CEDC is still is waiting for the go-ahead from the Commission to file its 3rd RP reset application.
5. Meantime, this application is being filed pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise known as the Public Service Act, which requires any public service to seek the prior approval of the Commission before it can construct, operate and maintain new distribution facilities. Given that it has no authority to undertake and implement CAPEX projects after 30 September 2015, CEDC is seeking the Commission’s approval for its CAPEX Program for Regulatory Year (RY) 2017 (1 October 2016 to 30 September 2017) to ensure the continued reliable operation of its distribution network and ensure continuous distribution service and connection to meet the growing and future needs of its more than 1,800 industrial, commercial and residential customers inside the Clark Special Economic Zone.
6. CEDC’s 2017 CAPEX Program is geared towards ensuring the safety, reliability, efficiency and performance of the distribution system while providing for the forecasted growth of future electricity demand within its franchise area.

7. In this regard, CEDC proposes the following Major CAPEX Projects:

Annex	Major Project Title	Estimated Project Cost (PhP)
B-1	Implementation of Advanced Distribution Management System (ADMS) – Single Platform	145,000,000
B-2	Implementation of Advanced Metering Infrastructure (AMI) with Meter Data Management System (MDMS)	102,750,000
TOTAL		247,750,000

CEDC's Residual Projects, are broken down by asset categories as follows:

Annex	Residual Project Title	Estimated Project Cost (PhP)
C-1	Poles, Towers, and Fixtures – Distribution [Network – Growth]	6,132,473
C-2	Overhead Conductors and Devices – Distribution [Network – Growth]	24,051,216
C-3	Underground Conductors and Devices – Distribution [Network – Growth]	21,630,177
C-4	Distribution Transformers [Network – Growth]	8,768,256
C-5	Meters, Instruments & Metering Transformers – Distribution [Network – Growth]	22,800,000
C-6	Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Network – Growth]	212,000
C-7	Information Technology Equipment – Distribution [Network – Growth]	4,243,250
C-8	Overhead Conductors and Devices – Customer [Network – Growth]	2,593,707
C-9	Station Equipment – Other Equipment [Network – Growth]	14,300,000
C-10	Information Technology Equipment – Distribution [Network – Renewal]	1,650,000
C-11	Poles, Towers, and Fixtures – Distribution [Network – Renewal]	1,382,465
C-12	Overhead Conductors and Devices – Distribution [Network – Renewal]	25,299,606
C-13	Underground Conductors and Devices – Distribution [Network – Renewal]	2,350,940
C-14	Distribution Transformers [Network – Renewal]	3,461,422
C-15	Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Network – Renewal]	5,738,000
C-16	Station Equipment – Protective Equipment [Network – Renewal]	560,000

Annex	Residual Project Title	Estimated Project Cost (PhP)
C-17	Station Equipment – Other Equipment [Network – Renewal]	1,646,000
C-18	Tools, Shop, and Garage Equipment [Non-Network – Growth]	12,102,635
C-19	Information Systems Equipment [Non-Network – Growth]	12,932,000
C-20	Structures and Improvements [Non-Network – Growth]	20,900,000
C-21	Transportation Equipment [Non-Network – Growth]	1,630,000
C-22	Transportation Equipment [Non-Network – Renewal]	3,800,000
TOTAL		198,184,147

8. In light of the resulting benefits of CEDC's RY 2017 CAPEX Program in the overall service to the electricity consumers, CEDC respectfully 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, should be considered as a deferred amount to be included in CEDC's 3rd RP reset calculations.

9. Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the distribution code. Since CEDC has no approved CAPEX projects from the start of the 3rd RP on October 1, 2015, this will severely hamper its operations and affect its ability to efficiently deliver electricity service to its customers. It is thus imperative for CEDC to undertake expansion and rehabilitation of its network facilities through acquisition of new assets to ensure continuous compliance with the safety, performance and other statutory/regulatory requirements.

10. Thus, pending final approval, there is an urgent need for the Commission to issue a provisional authority for CEDC to immediately implement its proposed RY 2017 CAPEX program. In support of the prayer for the grant of a provisional authority, CEDC has attached the Judicial Affidavit of Mr. Milo R. Pantig, Senior AVP and Head of Networks.

PRAYER

WHEREFORE. CEDC respectfully prays that this application for authority to implement CEDC's Capital Expenditure (CAPEX) Program for Regulatory Year (RY) 2017 be APPROVED and that the building block components associated with the CAPEX Program from the time it is put in service and considered used and useful be considered as a deferred amount to be included in CEDC's subsequent Third Regulatory Period reset calculations.

Pending final approval of the proposed CAPEX Program for RY 2017, CEDC also prays that it be granted provisional authority to implement the said proposed CAPEX Program for RY 2017.

Applicant CEDC prays for such other relief as are deemed just and equitable under the premises.

The Commission has set the said Application for initial hearing for the determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on initial hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **9 March 2017 (Thursday) at two o'clock in the afternoon (2:00 P.M.), at CEDC's principal office, Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga.**

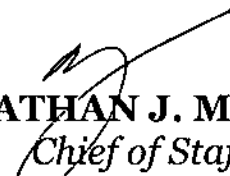
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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 Applicants conclude the presentation of their 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 wish to have a copy of the Application may request the Applicants, prior to the date of the initial hearing, that they be furnished with a copy of the Application. The Applicants are hereby directed to furnish all those making a request with copies of the Application and its attachments, subject to 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 Chairman **JOSE VICENTE B. SALAZAR** and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 31st day of January 2017 in Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


KTB/RFM/APV