

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
CONSTRUCTION OF THE
NEW TERESA-TAGBAC 115
KV LINE, WITH PRAYER
FOR PROVISIONAL
AUTHORITY,**

ERC CASE NO. 2017-080 RC

**MANILA ELECTRIC
COMPANY (MERALCO),
Applicant.**

X-----X

D O C K E T E D
Date: DEC 13 2017
By: [Signature]

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 08 September 2017, Manila Electric Company (MERALCO) filed an *Application* dated 06 September 2017 (*Application*) seeking the Commission's approval of a Capital Expenditure ("CAPEX") project for the construction of the New Teresa-Tagbac 115kV line.

MERALCO alleged the following in its *Application*:

1. Applicant MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address indicated herein.
2. MERALCO has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209.
3. MERALCO seeks the Honorable Commission's approval of a Capital Expenditure ("CAPEX") project for the construction of the New Teresa-Tagbac 115kV line, which is a non-standard

connection asset that is intended to serve the energy requirements of the new cement plant of Solid Cement Corporation (“Solid”).

4. 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 this Honorable Commission before it can establish, construct, maintain, and operate new facilities or make any extension of its existing facilities.
5. In order to meet its project timeline, Solid has offered to initially bear the costs thereof under the cash advance option in accordance with the Amended Distribution Services and Open Access Rules (DSOAR) as amended by Section 1 of ERC Resolution No. 3, Series of 2012, otherwise known as, “A Resolution Adopting the Amendments to Sections 2.6 and 2.7 of the Distribution Services and Open Access Rules (DSOAR)”.

A. BACKGROUND

6. In the Philippine Development Plan (2017-2022) released by the Philippine Investor Relations Office, the current administration underlined the importance of infrastructure as a prime mover of a country’s socioeconomic development. It stated that, “[w]ith a growing economy, the Philippines requires more and better selected infrastructure investments, given its archipelagic landscape, expanding population and rapid urbanization. To support a higher growth trajectory and improve the quality of life in both urban and rural communities, infrastructure development will remain among the top priorities of the government over the medium term. Spending on infrastructure has to be intensified while addressing persistent issues and challenges hampering implementation, so that the so-called “Golden Age of Infrastructure” will form part of a solid foundation for reaching the country’s Long-Term Vision 2040.”¹
7. From the foregoing, the huge infrastructure program of the government with an estimated capital outlay of around 7.2 trillion pesos over the term of the current administration is expected to boost the growth of cement consumption in the country, requiring the need for an increase in the available cement supply.
8. Pursuant thereto, MERALCO received an application from Solid for the expansion of its existing 26.5 MVA plant with an additional 36.9 MVA load, or a total aggregate load of 63.4MVA, in order for Solid to have the capacity to supply the growing demand for cement.
9. At present, the New Teresa 115 kV-34.5 kV substation serves the power requirements of the towns of Morong, Baras, Tanay, and Pililla in the province of Rizal. The substation has an

¹ www.iro.ph/article_doc/fc55bc53_PDP-2017-2022-Prepublication-2.pdf

existing 83 MVA Power Transformer which registered a normal peak load of 49.62 MVA, or a loading equivalent of 60% in Regulatory Year (RY) 2017.

10. The new cement plant will require an additional load of 36.9 MVA by January of Calendar Year (CY) 2019. With the 36.9 MVA additional load application of Solid, the loading of the New Teresa Bank No. 1 will be aggravated at 107% in RY 2019.
11. Considering Solid's urgent need for additional power requirements in order to operate their new cement plant by January of CY 2019, and the fact that the proposed project is a non-standard connection facilities that was not forecasted by MERALCO, Solid decided to shoulder the costs of the project under the cash advance option to expedite its implementation.
12. Pursuant to Section 23 of Republic Act No. 9136, a distribution utility *"shall have the obligation to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code. Any entity engaged therein shall provide open and non-discriminatory access to its distribution system to all users."*
13. Similarly, Applicant is mandated under Section 4 of Republic Act No. 9209 to *"provide open and nondiscriminatory access to its distribution system and services for any end-user within its franchise area consistent with Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or EPIRA."*
14. Thus, Applicant is obliged to provide access to its distribution system to the aforesaid prospective customer. However, the additional load of Solid imposes a major challenge because, aside from the inadequate line capacity of the existing circuit in the area and the non-standard connection facilities to be constructed, Solid requires a reliable power supply due to their highly sensitive equipment and production processes. Accordingly, the construction of the project will provide safe and reliable supply to Solid to ensure the continuity of its operations.
15. The total cost for the CAPEX Project to be shouldered by Solid under the cash advance option as provided for in Section 2.7.2.1 of the amended DSOAR is **One Hundred Thirty Eight Million Three Hundred Sixty Seven Thousand Two Hundred Eighty Three Pesos (PhP138,367,283.00)**.
16. A detailed discussion on MERALCO's CAPEX Project Information Summary with supporting documents: (i) Technical and Economic Analysis, (ii) Cost Estimates; (c) Expenditure Summary; (iii) Cost Benefit Analysis Calculation; and (iv) Gantt Chart, is attached hereto as **Annex "A"** and made an integral part hereof.

B. URGENT NEED TO ISSUE PROVISIONAL AUTHORITY

17. 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.² It is emphasized that, unless a provisional authority is immediately issued, MERALCO will be unable to start the implementation of the project.
18. The preparations and activities for a CAPEX project of this magnitude will require at least twelve (12) months, without regard to any unforeseen circumstances such as right of way issues, et al., prior to the target commissioning date in January of 2019. Preparations include the procurement of materials, design and construction of a new 115 kV line.
19. The expansion by Solid will enable it to meet the growing demand for building materials in support of the country's infrastructure program, a linchpin of the national economic development strategy. Moreover, growing the base of locally produced cement allows the Philippine industry to become less dependent on import substitution for such a vital and strategic material as cement. This same expansion project of Solid is expected to create additional direct employment and generate a significant economic multiplier effect for surrounding communities not just in Rizal but in the entire Luzon archipelago as a whole through the supply chain required to support this expanded production. Thus, the necessary connection must be provided to their cement plant by the January of Calendar Year 2019.
20. This is highlighted by Solid's letter dated 04 September 2017 inquiring about the status of their request for extension where it emphasized the need to have their new cement plant operational by January 2019 in order to "prevent the shortage of cement brought about by the increasing number of infrastructure projects in the country." A copy of the 04 September 2017 letter of Solid is hereto attached as **Annex "B"**
21. It should be also considered that it is Solid that will initially fund the project, and the refund mechanism shall be in accordance with the provisions of the DSOAR, thereby ensuring that customers shall not be unduly burdened by the implementation of the project.
22. Thus, pending final approval, there is an urgent need for a provisional authority for MERALCO to immediately implement its proposed CAPEX project. In support of the prayer for the grant of a provisional authority, attached as **Annex "C"** is the Judicial Affidavit of **Engr. Roberto D. Isip, Jr.**, Manager of MERALCO's Network Asset Planning Office.

² Republic Act. No. 9136, Section 23; EPIRA Implementing Rules and Regulations, Rule 7, Section 5.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for approval to construct the New Teresa-Tagbac 115kV line under the cash advance option as provided for in Section 2.7.2.1 of Resolution No. 3, Series of 2012 otherwise known as "A Resolution Adopting the Amendments to Sections 2.6 and 2.7 of the Distribution Services and Open Access Rules (DSOAR)" be **APPROVED**.

Pending hearing, it is likewise prayed that a provisional authority be immediately issued authorizing Applicant MERALCO to implement the construction of the New Teresa-Tagbac 115kV line.

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

The Commission has set the *Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **29 January 2018 (Monday) at ten o'clock in the morning (10:00 A.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 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 concludes the presentation of its evidence, subject to the requirements under Rule 9 of the 2006 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 **AGNES VST DEVANADERA** 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 06th day of December 2017 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Oversight Commissioner for Legal


LS: MCC/ARG/APV