

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, AND VARIOUS
PROJECTS UP TO 2022,
WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-123 RC

**DAVAO LIGHT AND
POWER, INC. (DLPC),
Applicant.**

X-----X

D O C K E T E D
Date: JAN 24 2019
By: *[Signature]*

ORDER

On 27 December 2018, Davao Light and Power Company, Inc. (DLPC) filed an *Application* dated 13 December 2018, seeking the Commission's approval of its capital expenditure projects for calendar year 2018, and various projects up to 2022, with prayer for provisional authority

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

1. DLPC is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at C. Bangoy Sr. St., Davao City. It is the grantee of a legislative franchise under Republic Act No. 8960 to construct, operate and maintain an electric light, heat and power system in the Cities of Davao and Panabo, and in the Municipalities of Carmen, Sto. Tomas and Braulio Dujali, Province of Davao del Norte (the "Franchise Area"). DLPC may be served with orders and other processes of the Honorable Commission through its undersigned counsel at the address indicated below;
2. Republic Act NO. 9136, or the Electric Power Industry Reform Act of 2001 ("EPIRA"), under Section 23 thereof, obligates a distribution utility, such as DLPC, to provide distribution services and connections to its system for any end-user within its franchise area, consistent with the distribution code. Further,

distribution utilities share in the objective of the EPIRA to ensure the quality, reliability, security and affordability of the supply of electric power;¹

3. For DLPC to pursue its mandate under its franchise and the EPIRA, it is necessary for DLPC to continuously invest in the improvement of its system and services to better serve its customers;
4. As such, DLPC, in accordance with Section 20 (b) of Commonwealth Act No. 146,² hereby applies for approval from the Honorable Commission, to implement its Capital Expenditure (“CAPEX”) Program for Calendar Year (“CY”) 2018 and various projects up to 2022;
5. DLPC’s CAPEX Program are categorized as follows:
 - a. Network Projects:
 - i. Substation Projects;
 - ii. Lines Projects; and
 - iii. Other Network Projects
 - b. Non-network Projects
6. DLPC’s CAPEX program under the bracket of Substation Projects consist of the following:
 - a. **Tadeco Substation Upgrade.** This project involves the purchase and installation of a 33 MVA 69 kV/13.8 kV three-phase transformer and other miscellaneous materials. This transformer will replace the more than 40-year-old 15 MVA transformer in the Tadeco Substation. This project will also include the extension of a feeder to link with the feeder of the adjacent Sto. Tomas Substation;
 - b. **Calinan Substation Upgrade.** This project involves the purchase and installation of a 33 MVA 69kV/13.8kV three-phase transformer and other miscellaneous materials. This transformer will replace the more than 40-year-old 10 MVA power transformer in the Calinan Substation. This project will also include the installation of an additional breaker for an additional feeder that will be constructed;
 - c. **Toril Substation Upgrade.** This project involves the purchase and installation of a 33 MVA power transformer, and the acquisition and installation of other electrical equipment power transformer control, cooling control, surge arresters, and other associated materials and equipment in the Toril Substation. The project also includes civil works such as site development and structural works. The 33 MVA power transformer will replace the 14 MVA

¹ Section 2(b) of the EPIRA.

² Otherwise known as the Public Service Act.

power transformer in the Toril Substation, thereby expanding the capacity of the Substation to 33 MVA;

- d. **P. Reyes Sustation Upgrade.** This project involves the purchase and installation of an additional unit of a 50 MVA power transformer, construction of 3 bays 69kV breaker-and-a-half scheme, laying of power cables, and acquisition and installation of associated materials and equipment in the P. Reyes Substation. The project also includes civil works such as site development and structural works;
 - e. **DRA-NGCP Interconnection Improvement.** This project involves the purchase and installation of two (2) 138 kV breakers in the DRA Substation, underground cables with fixtures and linkages, protection system improvement, and other miscellaneous materials. In addition, the project will also include purchase and installation of approximately 230 meters of 138kV, underbuilt circuit, three-phase, 1200 mm² XLPE cable line from Downhill San Isidro to NGCP's Bunawan Substation, associated accessories and miscellaneous materials. This project shall provide a PGC-compliant interconnection, protection, monitoring and control between DRA and NGCP's Bunawan substations;
 - f. **New Mobile Substation.** This project involves the purchase of an outdoor type 33 MVA 69/13.8 kV Mobile Substation with one (1) transformer, one (1) 69 kV breakers, one (1) 13.8 kV main breaker, and other miscellaneous equipment, on board a mobile, ready transportable mount;
7. DLPC'S CAPEX program under Lines Projects are the following:
- a. **69 kV Line New, Digos Line, from 69 kV Tapping Point at Davao-Cotabato Road to Binugao SS.** This project involves the installation of approximately 150 meters of 69 kV, three-phase, 795 MCM ACSR wire, and associated accessories and miscellaneous materials from the 69 kV tapping point at Davao-Cotabato Road to Binugao Substation;
 - b. **13.8 kV Underground Distribution System (2018-2021).** This project involves the conversion of overhead lines in Downtown Streets to Underground System to comply with City Ordinance No. 0152-17, Series of 2017;
 - c. **69 kV Line Upgrade, Davao Line 2, from New Loon to Tugbok SS.** This project involves the upgrading from #336.4 ACSR to 2x#795 MCM ACSR of the existing 69 kV line from the New Loon to Tugbok Substation. This project will project involve an approximately 3.5 circuit kilometer of 2x#795 MCM ACSR wire line intended to close the loop of Davao Line 2 and Davao Line 1 via Magtuod;

8. DLPC's CAPEX program under Other Network Projects are the following:
- a. **Line Rehabilitation / Maintenance.** This project is a combination of line rehabilitation, upgrade and maintenance works, which includes (i) replacement or relocation of various 69 kV structures and fixtures with wires and accessories; (ii) replacement or relocation of 13.8 kV structures and fixtures with wires and accessories; (iii) replacement of various secondary structures and fixtures; (iv) small conductor upgrades; (v) line-to-ground conversions; (vi) single-phase to three-phase conversion for various secondary wires and related accessories; (vii) installation or replacement of various leaking insulators, several defective arresters; (viii) conversion of several insulators to higher BIL rating; (ix) maintenance of various sets of line capacitors; (x) approximately 20 km of tree wire in various locations; and (xi) Typhoon Failure Containment for 69 kV and 13.8 kV lines due to change of historical wind speed category as per National Structural Code of the Philippines;
 - b. **Line Reclosers.** This project involves the installation of 66 units of circuit reclosers at selected distribution feeder lines and ILP customers, to provide automation of distribution system and to improve network reliability. This project also aims to control the effect of supply curtailment to the customers in situations when load shedding is necessary due to tight power supply;
 - c. **Emergency.** This project involves the purchase of several 13.8 kV poles and fixtures, transformers, wires and accessories that would be used as readily available supply for replacement of structures, transformers and line hardware on the 69 kV and 13.8 kV system in case of emergency situations;
 - d. **Rotten Poles and Transformers.** This project involves the replacement of 4,762 rotten poles with concrete poles for primary and secondary lines, together with 658 distribution transformers with pole top hardware and accessories;
 - e. **Voltage Correction.** This project involves IV scanner installations, tap changing, load center splitting and transformer uprating for voltage correction in the distribution system;
 - f. **New Application.** This project includes the purchase and installation of transformers, poles, wires, line hardware and other distribution system apparatus needed for providing electric service connections to customers;
 - g. **Rural Electrification.** This project involves the installation of poles, towers, fixtures, line extensions to

rural areas with transformer additions and capacitor/voltage regulator installations to provide power to remote and outskirt areas within the DLPC franchise as reflected in the 2018 Distribution Development Plan;

- h. **Subdivision Electrification.** This project involves the installation of poles, transformers and line extensions for new subdivision developments;
 - i. **Secondary Projects.** This project involves installation of poles and wires related to applications for secondary line extensions;
 - j. **Rehabilitation Projects.** This project includes replacement of various defective, old, non-SCADA, non-recording meters, relays and annunciators; replacement of several old and defective 69 kV and 15 kV disconnect switches; old and defective batteries replacement; construction of several new control rooms; installation of on-line monitors; and critical spare inventory for major equipment parts;
 - k. **Installation and Maintenance of Street Lights and Signal System.** This project involves the installation of new street lights and maintenance/replacement of defective streetlights. This project also involves the installation of LED street lights for years 2019 to 2022 to comply with the City Ordinance No. 0409-18, Series of 2018, also known as the "LED Ordinance of Davao City;"
 - l. **Installation, Replacement and Maintenance of Industrial and Commercial Meters.** This project involves the installation, replacement and maintenance of large industrial and commercial customers' meters. This includes the installation of Wholesale Electricity Spot Market (WESM)-ready meters and metering facilities;
 - m. **Installation and Replacement of Residential Meters.** This project involves the installation of new electronic meters and replacement of defective electro-mechanical residential meters.
9. DLPC's CAPEX program under Non-Network Projects are the following:
- a. **Telecommunications.** This project involves the purchase and installation of new Fault Location Isolation and Restoration (FLISR) for SCADA-ready fault current indicators, capacitor banks SCADA control device, recloser batteries, ORION RTU firmware upgrade, SCADA network switches, SCADA remote reset devices, SCADA infrastructure such as fiber-optic cables, radio communication equipment and accessories;

- b. **Tools and Work Equipment.** This project involves the purchase of various tools and equipment, as well as for the replacement, repair or maintenance of old ones;
- c. **Transportation.** This project involves the acquisition of new service and transport vehicles, as well as the repair of various transport vehicles, motorbikes and bucket trucks;
- d. **Acquisition of Land-Supplementary.** This project involves the additional expenditure needed to purchase the lot for the Bangkal Substation;
- e. **Buildings and Improvement, Office Equipment, Furniture and Fixtures, and Miscellaneous Equipment.** This project involves the expansion and repair of various offices, office utilities, and health, safety and security systems. This project also involves the acquisition of office furniture and fixtures;
- f. **Computer Equipment (Software and Hardware).** This project involves the replacement of computer units and IT-related equipment; various software upgrades; redevelopment of various software to enhance capability; and development of new software;

10. The total estimated cost of DLPC's CAPEX program is PhP 2,359,360,289.20. The complete list of DLPC's CAPEX program, together with its estimated cost, is shown in table 1 below:

PROJECT SUMMARY	
DESCRIPTION	COST (PhP)
NETWORK PROJECTS	
Tadeco Substation Upgrade	49,604,848
Calinan Substation Upgrade	65,457,712
Toril Substation Upgrade	58,821,475
P. Reyes Substation Upgrade	161,084,404
DRA-NGCP Interconnection Improvement	60,524,201
New Mobile Substation	86,000,000
LINES PROJECTS	
69 kV Line New, Digos Line, from 69 kV Tapping Point at Davao-Cotabato Road to Binugao SS	2,013,725
13.8 kV Underground Distribution System (2018-2021)	227,955,498
69 kV Line Upgrade, Davao Line 2, from New Loon to Tugbok SS	10,314,301
OTHER NETWORK PROJECTS	
Line Rehabilitation/Maintenance	73,603,527
Line Reclosers	42,192,445
Emergency	13,655, 06 6
Rotten Pole and Transformer Replacements	49,260,516
Voltage Correction	13,134,691

New Application	210,187,305
Rural Electrification	284,039,849.84
Subdivision Electrification	8,225,034
Secondary Projects	222,427
Rehabilitation of Substation	29,458,380
Street Lights and Signal Systems	477,856,675.08
Installation, Replacement and Maintenance of Industrial and Commercial Meters	44,624,058
Installation and Relacement of Residential Meters	196,754,527
NON-NETWORK PROJECTS	
Telecommunications	17,676,000
Tools and Work Equipment	21,927,016
Transportation	36,225,323
Acquisition of Land - Supplementary	11,025,000
Buildings and Improvement, Office Equipment, Furniture and Fixtures, and Miscellaneous Equipment	24,076,002
Computer Equipment (Software and Hardware)	83,440,283

11. The detailed justifications, technical analysis, economic analysis, and alternatives considered, as applicable, for DLPC's CAPEX program are discussed in detail in support of this Application;
12. The proposed CAPEX program will not have a direct impact on the current rates of DLPC until approved by the Honorable Commission as part of DLPC's Regulatory Asset Base in the next applicable Regulatory Period;
13. DLPC undertakes to comply with the pre-filing requirements under Rule 3, Section 4(e) of the EPIRA Implementing Rules and Regulations, as amended;

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

14. Public interest and necessity require the immediate implementation, of the subject CAPEX projects. Projects on DLPC's distribution system are necessary to address the needed capacity upgrades to accommodate increasing demand, prevent overloading, as well as improve safety and reliability of the system. Other projects are necessary to comply with local ordinances. Furthermore, various projects are necessary for DLPC to accommodate new customer applications;
15. Thus, in the event that the various CAPEX projects are not implemented, certain facilities of DLPC may be rendered obsolete, which could lead to power interruptions or delay in accommodating the additional load coming from existing and new customers. These negative consequences, which are detrimental to the livelihood and everyday lives of DLPC's customers, may be tempered by the immediate implementation of the instant CAPEX projects;

16. Thus, pending final approval, there is an urgent need for a provisional authority for DLPC to immediately implement its proposed CAPEX projects. In support of the prayer for the grant of the provisional authority, attached as **Annex "B"** is the Judicial Affidavit of Mr. Enriczar T. Tia, Assistant Vice President – Technical Support, Engineering Group of DLPC;
17. The foregoing CAPEX projects are necessary for the systematic and economic expansion and rehabilitation of DLPC's distribution facilities and ensuring compliance with safety, performance and regulatory requirements. The benefits arising from these CAPEX projects will ultimately redound to the end-consumers of DLPC because these projects are for continuous, reliable and efficient power supply.

PRAYER

WHEREFORE, it is respectfully prayed that the Honorable Commission:

1. APPROVE the proposed Capital Expenditure Projects; and
2. Pending trial on the merits, ISSUE an Order granting Provisional Authority authorizing DLPC to implement its proposed Capital Expenditure Projects.

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

Finding the said *Application* to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on **6 March 2019 (Wednesday) at ten o'clock in the morning (10:00 A.M.), at ERC Mindanao Area Operations Division (MAOD), Mintrade Bldg., Monteverde Avenue corner Sales Street, Davao City.**

Accordingly, DLPC is hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;

- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within the affected franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 4) Inform the consumers within the affected areas, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 5) Furnish with copies of this Order and the attached Notice of Public Hearing, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire to send their duly authorized representatives at the scheduled hearing; and
- 6) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, DLPC must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached Notice of Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this Order and the attached Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative

bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by DLPC to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this Order and the attached Notice of Public Hearing by the OSG, COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

DLPC and all interested parties are also required to submit, at least five (5) days before the date of the initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of DLPC to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

DLPC must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the *Application*, with relevant information and pertinent details

substantiating the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 16 January 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner 

Copy Furnished:

1. Attys. Katrina M. Platon, Paul B. Soriño, Ma. Margarita S. Lim and Celeni Kristine G. Guinto
Counsels for Applicant
16th Floor, NAC Tower
32nd St., Bonifacio Global City, Taguig City
2. Davao Light and Power Company, Inc. (DLPC)
C. Bangoy Sr. St., Davao City
3. Office of the Solicitor General
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. Commission on Audit
Commonwealth Avenue
Quezon City, Metro Manila
5. Senate Committee on Energy
GSIS bldg., Roxas Blvd., Pasay City
Metro Manila
6. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
7. Philippine Chamber of Commerce and Industry (PCCI)
3rd floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the City Mayor
Davao City, Davao del Norte
9. Office of the Local Government Unit (LGU) legislative body
Davao City, Davao del Norte
10. Office of the City Mayor
Panabo City, Davao del Norte
11. Office of the Local Government Unit (LGU) legislative body
Panabo City, Davao del Norte
12. Office of the Municipal Mayor
Municipality of Carmen, Davao del Norte
13. Office of the Local Government Unit (LGU) legislative body
Municipality of Carmen, Davao del Norte
14. Office of the Municipal Mayor
Municipality of Sto. Tomas, Davao del Norte
15. Office of the Local Government Unit (LGU) legislative body
Municipality of Sto. Tomas, Davao del Norte

16. Office of the Municipal Mayor
Municipality of Braulio Dujali, Davao del Norte
17. Office of the Local Government Unit (LGU) legislative body
Municipality of Braulio Dujali, Davao del Norte
18. Office of the Provincial Governor
Province of Davao del Norte
19. Office of the Local Government Unit (LGU) legislative body
Province of Davao del Norte
20. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City