

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, WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2018-124 RC

**VISAYAN ELECTRIC
COMPANY, INC. (VECO),
Applicant.**

X-----X

D O C K E T E D
Date: FEB 04 2019
By: [Signature]

ORDER

On 28 December 2018, the Visayan Electric Company, Inc. (VECO) filed an *Application* dated 06 December 2018, seeking the Commission's approval of capital expenditure projects for calendar year 2018, with prayer for provisional authority.

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

1. VECO is a private corporation existing under the laws of the Republic of the Philippines, with principal business address at J. Panis Street, Banilad, Cebu City. It is a duly authorized distribution utility of electric power in the municipalities of San Fernando, Minglanilla, Consolacion and Lilo-an and the Cities of Naga, Talisay, Cebu and Mandaue, Province of Cebu, pursuant to its franchise under Republic Act No. 9339. VECO may be served with orders and other processes of the Honorable Commission through its undersigned counsel at the address indicated below.
2. The Electric Power Industry Reform Act ("EPIRA"), under Section 23, obligates VECO, as well as other distribution utilities, to provide distribution services and connections to its customers consistent with the distribution code.¹

¹ Section 23 of RA 9136, as implemented by Rule 7, Section 4 of the EPIRA Implementing Rules and Regulations ("EPIRA IRR").

3. Thus, VECO, in accordance with Section 20 (b) of Commonwealth Act No. 146,² hereby applies for the approval of the Capital Expenditure (CAPEX) Projects for Calendar Year (“CY”) 2018.
4. VECO’s CAPEX projects are grouped into “Network Assets”, “Other Network Assets” and “Non-Network Projects”.
5. The project under the “Network Assets” category is “Hybrid Underground System Phase 3” project.
 - 5.1. The project, which is an underground distribution system that will span along Imus Avenue from Cor. Sikatuna St. to Cor. General Maxilom Ave, will address VECO’s compliance to the statutory requirements of Cebu City Ordinance No. 1894 dated April 25, 2001. Inherently, this underground distribution system would also improve the reliability of the system and the safety of the general public.
6. The projects under the “**Other Network Projects**” category are the following:
 - o Automated Switches
 - o Communication Equipment
 - o Customer Service – Wires and Metering Equipment
 - o Distribution Transformers
 - o Overhead Conductors
 - o Poles and Fixtures
 - o Station Equipment
 - o Power Factor Improvement Project
 - 6.1. The “**Automated Switches**” project involves acquiring automated switches, which include Load Break Switches and Reclosers, that will be used by VECO for 2018. The project will increase reliability of the power system and reduce the interruption time.
 - 6.2. The “**Communication Equipment**” project involves the acquisition of communications equipment to be used by VECO for 2018. These equipment will be used for the proper communication between VECO’s automated equipment in the field or substation to and from VECO’s system operation control center.
 - 6.3. The “**Customer Service – Wires and Metering Equipment**” project will serve customer request for electric service connection, and for maintenance and new installation of revenue meters
 - 6.4. The “**Distribution Transformers**” project involves the acquisition of distribution transformers, according to kVA rating and type, to be used by VECO for 2018. This project will aid VECO in catering to increase in customer demand, refurbishment or replacement of distribution transformers and new customer request applications.

² Public Service Act

- 6.5. The “**Overhead Conductors**” project involves the acquisition of overhead conductors to be used by VECO for 2018. This project will address the yearly requirements of VECO for its supply of overhead conductors needed to serve its consumers.
- 6.6. The “**Poles and Fixtures**” project involves the acquisition of the needed poles, with compatible accessories/fixtures, to be used by VECO for the year 2018, needed to improve reliability and availability of the overhead distribution network.
- 6.7. The “**Station Equipment**” project involves the acquisition of equipment to be used by VECO in its various substations. With the project in place, VECO will be able to efficiently maintain its substation assets.
- 6.8. The “**Power Factor Improvement**” project involves the 2018 acquisition of capacitor banks to be used by VECO to maintain the proper allowable voltage operating range within the distribution system. This project will also alleviate technical system loss through capacity optimization.
7. The projects in the “**Non-network Projects**” category include the following:
 - Computers
 - Tools and Instruments
 - Vehicles
 - 7.1. The “**Computer**” project involves the acquisition of new computer units to replace old computer units. This also includes acquisition and maintenance of computer software for simulation, drawing and testing of the assets in the distribution network.
 - 7.2. The “**Tools and Instrument**” project involves the acquisition of tools and instruments to be used for monitoring the system power quality and addressing customer issues, maintenance of power metering instruments and substation equipment testing devices and other distribution network tools.
 - 7.3. The “**Vehicles**” project involves the acquisition of new vehicles, such as bucket trucks, low-bed trailer and prime mover, used for network maintenance and development works. These vehicles are needed for works such as transporting mobile substations, pole erection, installation and line attachments, as well as for transferring and mobilizing power transformer. The project also involves the acquisition of motorbikes for use by field distribution engineers, especially for emergency response activities.

8. The total estimated cost of the proposed CAPEX projects for CY 2018 is PhP 1,126,317,180.00, broken down as follows:

NETWORK PROJECTS		92,540,371
Hybrid Underground System Phase 3	92,540,371	
OTHER NETWORK PROJECTS		960,302,517
Automated Switches	39,310,473	
Communication Equipment	21,719,950	
Customer Service – Wires and Metering Equipment	127,034,357	
Distribution Transformers	359,140,694	
Overhead Conductors	66,476,570	
Poles and Fixtures	300,929,866	
Station Equipment	40,191,085	
Power Factor Improvement Project	5,499,522	
NON-NETWORK PROJECTS		73,474,292
Computers	1,766,725	
Tools and Instruments	33,126,307	
Vehicles	38,581,260	
TOTAL CAPEX 2018		1,126,317,180

9. The proposed CAPEX for CY 2018 will not have a direct impact on the current rates of VECO until approved by the Honorable Commission as part of VECO's Regulatory Asset Base in the next applicable Regulatory Period.
10. The detailed explanation, description, economic analysis, justification, alternatives considered, as applicable, and other information on VECO's CAPEX projects for CY 2018, are discussed in detail in Annex "A" of this Application.
11. Applicant undertakes to comply with the pre-filing requirements under Section 4(e) of the EPIRA IRR, as amended,

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

12. Public interest and necessity requires the immediate implementation, without delay, of the subject CAPEX projects. The loading and reliability constraints of the current substations are reaching critical levels, necessitating the upgrade and/or construction of the relevant substations. Aside from these, in the event that the CAPEX projects are not immediately implemented, the consumers may suffer from prolonged power interruptions and additional load coming from existing and new customers may likewise not be accommodated. These negative consequences, which are detrimental not only to the economy of the areas covered by VECO, but also to the livelihood and everyday lives of the consumers may be mitigated by the immediate approval of the VECO 2018 CAPEX projects.
13. Thus, pending final approval, there is an urgent need for a provisional authority for VECO to immediately implement its proposed 2018 CAPEX projects. In support of the prayer for the grant of a provisional authority, attached as Annex "B" is the Judicial Affidavit of Mr. Noel S. Modesto of VECO.

14. The foregoing CAPEX for CY 2018 are indispensable for the systematic and economic expansion and rehabilitation of VECO's distribution facilities and ensuring compliance with safety, performance and regulatory requirements. The benefit arising from these CAPEX projects will ultimately redound to the end-consumers in terms of continuous, reliable and efficient power supply.

PRAYER

WHEREFORE, it is respectfully prayed that the Honorable Commission:

1. APPROVE the proposed Capital Expenditure Projects for Calendar Year 2018; and
2. Pending trial on the merits, issue an Order granting Provisional Authority authorizing Visayan Electric Company, Inc. (VECO) to implement its proposed Capital Expenditure Projects for Calendar Year 2018.

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 **14 March 2019 (Thursday) at ten o'clock in the morning (10:00 A.M.), at ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City.**

Accordingly, VECO 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 hearings 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 hearings; 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, VECO 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 VECO to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearings 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.

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

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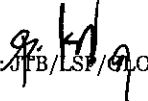
VECO must also be prepared to make an expository presentation of the instant *Application*, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, the nature of the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

SO ORDERED.

Pasig City, 22 January 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSEFINA PATRICIA A. MAGPALE-ASIRIT
Commissioner


LS/AFB/LSF/ALO

Copy Furnished:

1. Atty. Paul B. Soriño and Ma. Margarita S. Lim
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2. Visayan Electric Company, Inc. (VECO)
Applicant
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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)
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McKinley Town Center, Fort Bonifacio, Taguig City

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8. Office of the City Mayor
Naga City, Cebu
9. Office of the Local Government Unit (LGU) legislative body
Naga City, Cebu
10. Office of the City Mayor
Talisay City, Cebu
11. Office of the Local Government Unit (LGU) legislative body
Talisay City, Cebu
12. Office of the City Mayor
Cebu City, Cebu
13. Office of the Local Government Unit (LGU) legislative body
Cebu City, Cebu
14. Office of the City Mayor
Mandaue City, Cebu
15. Office of the Local Government Unit (LGU) legislative body
Mandaue City, Cebu
16. Office of the Municipal Mayor
San Fernando, Cebu
17. Office of the Local Government Unit (LGU) legislative body
San Fernando, Cebu
18. Office of the Municipal Mayor
Consolacion, Cebu
19. Office of the Local Government Unit (LGU) legislative body
Consolacion, Cebu
20. Office of the Municipal Mayor
Lilo-an, Cebu
21. Office of the Local Government Unit (LGU) legislative body
Lilo-an, Cebu
22. Office of the Provincial Governor
Province of Cebu
23. Office of the Local Government Unit (LGU) legislative body
Province of Cebu
24. Regulatory Operations Service (ROS)
17th Floor, Pacific Center Bldg., San Miguel Ave., Pasig City