

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



**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF ELECTRIC
AND NON-ELECTRIC
CAPITAL PROJECTS FOR
THE REGULATORY YEAR
2019**

ERC CASE NO. 2019-017 RC

**ILIGAN LIGHT AND
POWER, INC. (ILPI),
Applicant.**

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Promulgated:
MAY 10 2019

ORDER

On 1 March 2019, Iligan Light and Power, Inc. (ILPI) filed an *Application* dated 31 January 2019, seeking the Commission's approval of its electric and non-electric capital projects for the Regulatory Years 2017 to 2018.

The pertinent portions of the said *Application* are hereunder quoted as follows:

1. Applicant ILPI is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bro. Jeffrey Road, Pala-o, Iligan City where it may be served with summons and other legal processes.
2. Applicant ILPI is the exclusive franchise holder issued by the Congress of the Philippines to operate electric light and power service in the City of Iligan in the Province of Lanao del Norte.
3. ILPI is part of the Second Entry Group (otherwise known as "Group B") that entered into the performance-based regulation ("PBR") rate setting methodology on April 1, 2009. Other members of Group B are Mactan Electric Company, Inc. (MECO) and Cotabato Light and Power Company (CLPC).
4. As part of the PBR rate setting methodology, ILPI's Second Regulatory Period was from April 1, 2009 to March 31, 2013.
5. Prior to the end of the Second Regulatory Period for the Second Entry Group, the Honorable Commission began the process of updating the

Rules for Setting Distribution Wheeling Rates for Privately Owned Distribution Utilities (Second Entry Group) (the "RDWR").

6. However, the revisions to the RDWR from the Third and Fourth Regulatory Periods and the resolution of certain issues identified under PBR by the Honorable Commission had not yet been completed by the time the Second Regulatory Period had ended on March 31, 2013.
7. Unfortunately, the revisions to the RDWR have not yet been finalized. Since the start of the regulatory reset process under PBR for Group B for the Third and Fourth Regulatory Periods has not yet begun and given the need by ILPI to undertake electric and non-electric capital projects in order to address the load growth, renewal, replacement, and refurbishment of existing distribution assets, ILPI is now filing this instant Application.
8. ILPI has several electric and non-electric capital projects planned for RY 2019 which are necessary to maintain the reliable and safe operation of its distribution network as well as to provide for the growing electricity demand in the ILPI franchise area.
9. Being guided by the latest Rules for Setting Distribution Wheeling Rates (RDWR), as amended, ILPI hereby submits for approval of this Honorable Commission the following electric and non-electric capital projects for RY 2019:

CAPITAL PROJECTS
(For the Regulatory Year 2019)

| Proposed Project | | | Project Cost (PhP) | Reference |
|------------------|-------------------------------------------------------------------------------------------------------------|----------|--------------------|-----------|
| No. | Title | Type | Total | |
| 1 | Replacement of Three (3) Overton Feeders Protection Automatic Circuit Reclosers (ACRs) with 16 kAIC Ratings | Safety | 4,285,714.28 | Annex A |
| 2 | Sitio Pigtuliran Replacement of Poles Project | Safety | 1,113,563.25 | Annex B |
| 3 | Replacement of Substation Protection Devices for Safety Compliance Projects | Safety | 4,538,312.00 | Annex C |
| 4 | Replacement of Defective 69 kV Disconnect Switch | Safety | 900,000.00 | Annex D |
| 5 | Tambacan 13.8 kV Backbone Line Reconductoring | Capacity | 1,819,945.82 | Annex E |
| 6 | Customer Service Drops and Metering Equipment | Capacity | 11,755,882.50 | Annex F |
| 7 | Distribution Transformers | Capacity | 8,148,264.00 | Annex G |
| 8 | Low Voltage Distribution Lines | Capacity | 2,307,250.00 | Annex H |
| 9 | Installation of new meters | Capacity | 12,527,666.07 | Annex I |
| 10 | Poles | Capacity | 8,759,246.00 | Annex J |

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|---------------------------------|-------------------------------------------------------------------------------|-------------------------|-----------------------|---------|
| 11 | Line Construction Projects | Expansion | 20,264,682.47 | Annex K |
| 12 | 13.8kV Backbone Loop Line of Kiwalan Feeder and Pala-o Feeder | Reliability Improvement | 3,314,305.90 | Annex L |
| 13 | Fault Indicator Installation for Fault Frequent Areas | Reliability Improvement | 1,200,000.00 | Annex M |
| 14 | Digkilaan Reconductoring Project | Reliability Improvement | 2,142,068.26 | Annex N |
| 15 | Streetlight Metering Project (Continuation of RY 2018 Project) | System Loss Reduction | 2,733,625.00 | Annex O |
| 16 | Meter Replacement Project | System Loss Reduction | 12,654,870.04 | Annex P |
| 17 | Land Improvements, Building Construction and Improvements and other Equipment | Service Efficiency | 22,878,000.00 | Annex Q |
| 18 | Vehicles | Service Efficiency | 11,700,000.00 | Annex R |
| 19 | Tools and Instruments for Maintenance and Operations | Service Efficiency | 11,776,368.57 | Annex S |
| 20 | SCADA Software Update | Service Efficiency | 741,071.43 | Annex T |
| 21 | Expansion of Wireless and Virtual Infrastructure | Service Efficiency | 1,959,360.00 | Annex U |
| 22 | Acquisition of IT Hardware Requirements | Service Efficiency | 1,173,242.00 | Annex V |
| 23 | Safety, Health and Wellness Projects | Service Efficiency | 1,315,000.00 | Annex W |
| TOTAL PROJECT COST (PhP) | | | 150,008,437.59 | |

10. The proposed electric and non-electric capital projects will not have a direct impact on the current rates of ILPI until approved by the Honorable Commission as part of ILPI's Regulatory Asset Base in its next regulatory reset application under PBR.
11. A detailed description for each of the projects are attached hereto as part of the specific projects' annex and are made integral parts of this Application.

In support of this Application, the Applicant has attached the following supporting documents in connection with the projects:

| ANNEX | INFORMATION PROVIDED |
|--------------|-------------------------------------------------------------------------------------------------------------|
| Annex 1 | Executive Summary |
| Annex A | Replacement of Three (3) Overton Feeders Protection Automatic Circuit Reclosers (ACRs) with 16 kAIC Ratings |
| Annex B | Sitio Pigtuliran Replacement of Poles Project |
| Annex C | Replacement of Substation Protection Devices for Safety Compliance Projects |
| Annex D | Replacement of Defective 69 kV Disconnect Switch |
| Annex E | Tambacan 13.8kV Backbone Line Reconductoring |
| Annex F | Customer Service Drops and Metering Equipment |
| Annex G | Distribution Transformers |
| Annex H | Low Voltage Distribution Lines |
| Annex I | Installation of new meters |

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|---------|-------------------------------------------------------------------------------|
| Annex J | Poles |
| Annex K | Line Construction Projects |
| Annex L | 13.8kV Backbone Loop Line of Kiwalan Feeder and Pala-o Feeder |
| Annex M | Fault Indicator Installation for Fault Frequent Areas |
| Annex N | Digkilaan Reconductoring Project |
| Annex O | Streetlight Metering Project (Continuation of RY 2018 Project) |
| Annex P | Meter Replacement Project |
| Annex Q | Land Improvements, Building Construction and Improvements and Other Equipment |
| Annex R | Vehicles |
| Annex S | Tools and Instruments for Maintenance and Operations |
| Annex T | SCADA Software Update |
| Annex U | Expansion of Wireless and Virtual Infrastructure |
| Annex V | Acquisition of IT Hardware Requirements |
| Annex W | Safety, Health and Wellness Projects |

12. The approval of the foregoing electric and non-electric capital projects will ensure that the customers of ILPI will be served continuously and reliably in accordance with the standards under the Philippine Distribution Code (PDC) and other regulatory obligations as well as the approved Performance Level Targets for ILPI's Performance Incentive Scheme (PIS) under PBR.

PRAYER

WHEREFORE, it is respectfully prayed that the Honorable Commission, after trial on the merits, issue a final approval of the following Capital Projects and that ILPI be granted the authority to implement, construct, own and operate the same:

1. Replacement of Three (3) Overton Feeders Protection Automatic Circuit Reclosers (ACRs) with 16 kAIC Ratings
2. Sitio Pigtuliran Replacement of Poles Project
3. Replacement of Substation Protection Devices for Safety Compliance Projects
4. Replacement of Defective 69 kV Disconnect Switch
5. Tambacan 13.8kV Backbone Line Reconductoring
6. Customer Service Drops and Metering Equipment
7. Distribution Transformers
8. Low Voltage Distribution Lines
9. Installation of new meters
10. Poles
11. Line Construction Projects
12. 13.8kV Backbone Loop Line of Kiwalan Feeder and Pala-o Feeder

13. Fault Indicator Installation for Fault Frequent Areas
14. Digkilaan Reconductoring Project
15. Streetlight Metering Project (Continuation of RY 2018 Project)
16. Meter Replacement Project
17. Land Improvements, Building Construction and Improvements and Other Equipment
18. Vehicles
19. Tools and Instruments for Maintenance and Operations
20. SCADA Software Update
21. Expansion of Wireless and Virtual Infrastructure
22. Acquisition of IT Hardware Requirements
23. Safety, Health and Wellness Projects

Applicant likewise prays for such other and further relief as may be deemed just and equitable in the premises.

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 **13 June 2019 (Thursday), at two o'clock in the afternoon (02:00 P.M.), at ILPI's Principal Office, at Bro. Jeffrey Road, Pala-o, Iligan City.**

Accordingly, ILPI is hereby directed to:


- 1) Cause the publication of the attached *Notice of Public Hearing* twice (2x) in two (2) newspapers of nationwide circulation in the Philippines at its own expense, 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 Office of the Mayor and the Local Government Unit (LGU) legislative bodies within ILPI's

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franchise area for the appropriate posting thereof on their respective bulletin boards;

- 3) Inform the consumers within the affected area of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon, by any other means available and appropriate;
- 4) 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
- 5) 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, ILPI shall 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* was 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 Mayor and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
 - 3) The evidence of other means employed by ILPI to inform the consumers 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, the 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
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- 6) Such other proof of compliance with the requirements of the Commission.

ILPI 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 therefor; 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 ILPI 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.

ILPI 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. For the benefit of the consumers and other concerned parties, Applicant must be able to put in plain words and explain the nature of the *Application* with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

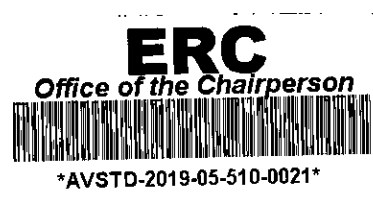
SO ORDERED.

Pasig City, 6 May 2019.

FOR AND BY AUTHORITY
OF THE COMMISSION:

Agnes VST Devanadera
AGNES VST DEVANADERA
Chairperson & CEO

LS: LED/BSA/GLO



Copy Furnished:

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5. Senate Committee on Energy
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7. Regulatory Operations Service
17/F, Energy Regulatory Commission, Pacific Center Bldg.,
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8. Office of the Provincial Governor
Province of Lanao del Norte
9. Office of the City Mayor
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10. LGU Legislative Body
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