

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



IN THE MATTER OF THE
APPLICATION FOR THE APPROVAL
OF THE STA. RITA –
QUINAPUNDAN 69 KV
TRANSMISSION PROJECT, WITH
PRAYER FOR PROVISIONAL
AUTHORITY

ERC CASE NO. 2007-520 MC

NATIONAL TRANSMISSION
CORPORATION (TRANSCO),
Applicant.

x-----x

RECORDED
Date FEB 17 2009
By *MA*

DECISION

Before this Commission for resolution is the application filed on November 21, 2007 by the National Transmission Corporation (TRANSCO) for approval of its Sta. Rita – Quinapundan 69 kV Transmission Project, with prayer for provisional authority.

Having found said application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated December 20, 2007, were issued setting the case for initial hearing on February 7, 2008.

In the same Order, TRANSCO was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines, at least ten (10) days before the scheduled date of initial hearing.

[Handwritten signatures]

The Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress were furnished with copies of the Order and the Notice of Public Hearing and were requested to have their respective duly authorized representatives present at the initial hearing.

Likewise, the Office of the Mayor of Quezon City was furnished with copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on its bulletin board.

On February 6, 2008, TRANSCO filed its "Pre-trial Brief".

During the February 7, 2008 initial hearing of this case, only TRANSCO appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

In the said hearing, TRANSCO adduced proofs of its compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "G-2", inclusive. Thereafter, it conducted an expository presentation of its application. Subsequently, it moved for continuance of hearing in view of its failure to submit the required judicial affidavits of its witness. Said motion was granted.

On March 4, 2008, TRANSCO filed a "Manifestation with Motion to Reset Hearing". Relative thereto, on March 5, 2008, the Commission issued an Order granting said motion and resetting the hearing to April 28, 2008.

At the continuation of the hearing on April 28, 2008, TRANSCO presented the following witnesses: 1) Mr. Javier Zacate, President of Mayors League, Eastern Samar Chapter, who testified on the league's endorsement, through a resolution, and in support of TRANSCO's application; 2) Mr. Philip Dasalia, its Division Manager for the Visayas-Mindanao Projects, who testified on the reasonableness and necessity of the application; and 3) Atty. Enerion M. Sabulao, Member of the Sangguniang Panlalawigan of Eastern Samar, who testified that the Office of the Sangguniang Panlalawigan has passed a resolution endorsing the application of TRANSCO. In the course of the direct examinations of the said witnesses, various documents were identified and marked as exhibits.

During the May 5, 2008 hearing, TRANSCO appeared and presented its last witness, Ms. Ma. Cynthia Manrique, its Manager for Tariff Design, who testified on the rate impact of the project on electricity end-users. In the course of the direct examination, various documents were identified and marked as exhibits. At the termination of the direct examination, the Commission propounded clarificatory questions.

On May 8, 2008, TRANSCO filed its "Formal Offer of Evidence" which is hereby admitted for being relevant and material to the final resolution of the case.

DISCUSSION

TRANSCO sought the Commission's approval of the construction of the Sta. Rita – Quinapundan 69 kV Transmission Project:

a. Project Description:

1.1 Transmission Line:

- Sta. Rita Load End Substation – Quinapundan Load End substation - 69kV, ST/SP/CP – SC, 1-336.4MCM, 103.0km.

1.2 Substation:

- Sta. Rita Load End Substation (Expansion) - 2 X 69 kV PCB + Accessories
- Quinapundan Load End Substation (Expansion) - 2 X 69 kV Air Break Switch

b. Rationale of the project:

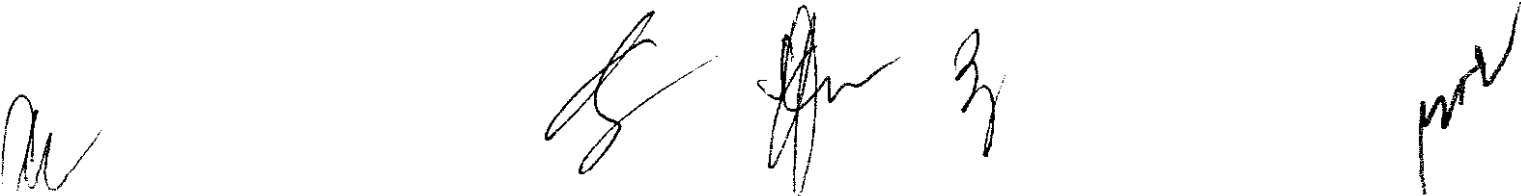
- To prevent overloading of the Wright Substation
- To reduce the undesirable line loss and improve reliability of power supply
- To preclude the installation of shunt capacitor bank
- For network reinforcement

c. Project Cost:

PhP449,941,000.00

PROJECT DESIGN

The Sta. Rita – Quinapundan 69 kV Transmission Project is targeted to be completed in 2010. According to TRANSCO, this project aims to loop with the

The bottom of the page features several handwritten signatures in black ink. There are four distinct signatures, with the first one on the far left and the others clustered towards the center and right. The signatures are stylized and appear to be in cursive or a similar fluid script.

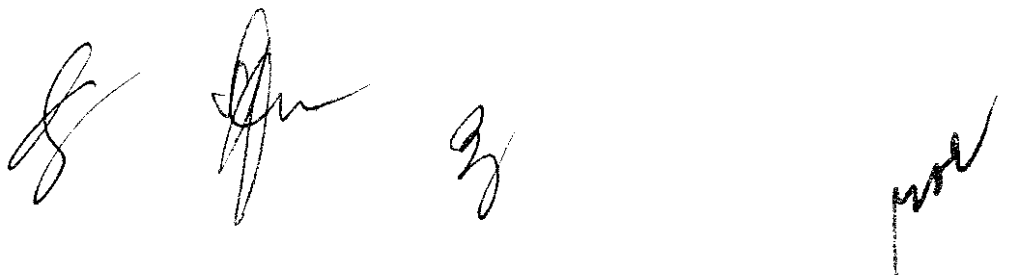
existing Wright-Taft-Borongon-Quinapundan 69kV Line that supplies power to the eastern part of the Province of Samar. Said loop will reinforce the existing transmission line and address the transmission problem in the area such as overloading, line losses, efficiency, reliability and quality of power supply, among others. This project also aims to address the expected transmission load growth in the area in the near future.

TECHNICAL ANALYSIS

The construction of the 103km, 336.4 MCM of the 69 kV Line will help decongest the Wright Substation, thereby decreasing the undesirable system loss within the Province of Samar by an average of 0.08% (equivalent to a total of 6.4 MW) over a period of five (5) years.

Based on the load flow analysis presented by TRANSCO, the voltage at all electrical buses ranges from 0.95 to 1.05 per unit, well within the acceptable voltage spectrum under the Philippine Grid Code (PGC). This means that the installation of a capacitor bank, which is usually done to improve system losses, will no longer be needed.

On the other hand, the expansion of the Bagolinas (Sta. Rita) Substation will entail installation of two (2) power circuit breakers including the necessary accessories and structures in order to accommodate terminations of the outgoing line to Quinapundan. Upon approval of this project, TRANSCO will replace the 10 MVA power transformer with a 30 MVA power transformer.

The bottom of the page features four handwritten signatures in black ink. From left to right, they are: a signature that appears to be 'A', a signature that appears to be 'S', a signature that appears to be 'Z', and a signature that appears to be 'M'. There is also a small, illegible mark at the bottom left corner of the page.

The two (2) 69 kV air break switches (pole-mounted type) will be installed at the Quinapundan Load-End Substation as an isolating medium in the event of line repairs or disconnection of the two (2) circuits that will be looped.

COST ANALYSIS

TRANSCO manifested that the funding of the subject project will be sourced from its Internal Cash Generation (ICG) under the Budgetary Reserved Fund (BRF) and will not form part of its Regulated Asset Base (RAB).

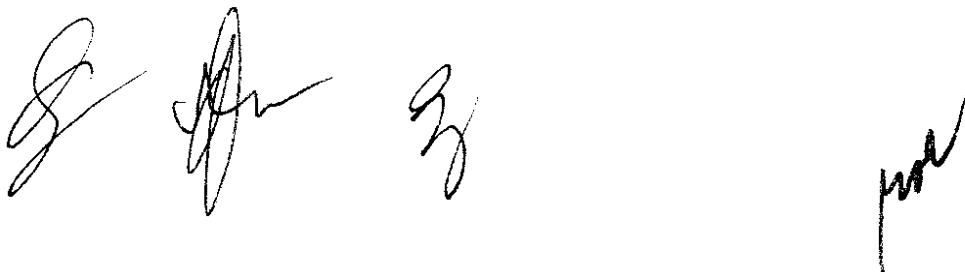
CRITERIA TO DISTINGUISH TRANSMISSION ASSETS FROM SUB-TRANSMISSION

As stated in paragraph (c) Sec. 2, Article III of the *“Guidelines to the Sale and Transfer of the TransCo’s Subtransmission Assets and the Franchising of Qualified Consortiums”*, radial lines, power transformers, related protection equipment, control systems and other assets held by TRANSCO or its Buyer or Concessionaire which directly connect a load-end substation of one or more Distribution Utilities to a Grid but no Directly Connected Generators shall be classified as Sub-transmission Assets.

Furthermore, Sec. 4, Rule 6 of the IRR of EPIRA states that:

“The technical and functional criteria to be considered in distinguishing transmission asset from subtransmission asset shall include, but not limited to:

- a. xxx;
- b. *Subtransmission assets are primarily radial in character;*
- c. xxx;”

The bottom of the page features several handwritten signatures in black ink. There are three distinct signatures in the center, and a fourth, more vertical signature on the far right. The signatures are cursive and appear to be initials or names of individuals involved in the document's approval.

On the other hand, Connection Asset is defined as those assets that are put in place for the primary purpose of connecting a customer. These assets may be bypassed or removed from the network without affecting any customer except those that are directly connected to it.


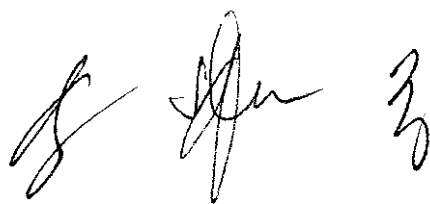
To harmonize the said provisions, the Commission has resolved to apply the definition of Connection Assets if the line is radial in nature.

Inasmuch as the project will loop the existing 69 kV Transmission Line within the franchise area of Eastern Samar Electric Cooperative, Inc. (ESAMELCO) for network reliability purposes, among others, and is not considered a radial line in nature, the proposed project is considered as Transmission Network Project.

RECLASSIFICATION OF 69 kV WRIGHT-TAFT-BORONGAN-BUENAVISTA SUB-TRANSMISSION ASSETS

In the Decision dated December 7, 2007, the Commission approved the application of TRANSCO for the imposition of Connection Charges (CC) and Residual Sub-transmission Charges (RSTC) for CY 2007 on the excluded services covering the existing sub-transmission assets classifying the 69 kV Wright-Taft-Borongon-Buenavista Sub-transmission Line as Connection Asset. Thus, ESAMELCO, the electric cooperative using the Connection Assets, will be charged the corresponding CC.

With the implementation of the proposed 69 kV Sta. Rita – Quinapundan Transmission Looping Project, the 69 kV Wright-Taft-Borongon-Buenavista Sub-transmission Assets may be reclassified from Connection Asset to Network Asset



because of the resulting configuration it will bring once the proposed looping project is installed. This reclassification shall be applied by TRANSCO through the filing of its application of 2008 CC and RSTC following the provisions of Connection Charging Policy. Nonetheless, any adjustment on the asset base of TRANSCO as a result of this reclassification will only be done during the reset process for the 3rd Regulatory Period. This proposed reclassification will also unburden ESAMELCO from the impending imposition of CC and RSTC of TRANSCO which will be a big relief to its customers.

A perusal of the evidence presented herein showed that the completion of the aforesaid project will redound to the benefit of TRANSCO's consumers in terms of continuous, reliable and efficient power supply as mandated by Republic Act No. 9136, or the *Electric Power Industry Reform Act of 2001* (Section 2. Declaration of Policy – (b) “to ensure the quality, reliability, security and affordability of the supply of electric power”).

WHEREFORE, the foregoing premises considered, the application for the approval of the Sta. Rita – Quinapundan 69 kV Transmission Project, with prayer for provisional authority, filed by the National Transmission Corporation (TRANSCO) is hereby **APPROVED** subject to the following conditions:

1. The proposed project cost of PhP449.941 Million will not be automatically included in the Maximum Allowable Revenue (MAR) for the current Regulatory Period;
2. The proposed project will be further optimized based on its actual use during the Reset Process for the 3rd Regulatory Period following the procedure stated in the TWRG and other relevant issuances of the Commission; and
3. The affected 69 kV Wright-Taft-Borongon-Buenavista sub-transmission assets of TRANSCO that is currently supplying power to ESAMELCO should be reclassified from connection asset to transmission network asset.

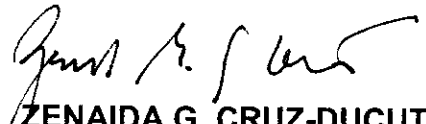


Relative thereto, TRANSCO is hereby directed to pay within ten (10) days from receipt hereof a permit fee in the amount of Three Million Three Hundred Seventy-Five Thousand Pesos (PhP3,375,000.00) which will be charged to its Operation and Maintenance (O & M) Cost under its Excluded Services, computed as follows:

$$\frac{\text{PhP}449,941,000.00}{\text{PhP}100.00} \times \text{PhP}0.75 = \text{PhP}3,375,000.00$$

SO ORDERED.

Pasig City, February 9, 2009


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

Copy Furnished:

1. **National Transmission Corporation (TRANSCO)**
Power Center, Quezon Avenue corner
BIR Road, Diliman, Quezon City
2. **National Power Corporation (NPC)**
Agham Road corner Quezon Avenue,
Diliman, Quezon City
3. **Office of the Solicitor General (OSG)**
134 Amorsolo Street, Legaspi Village
Makati City, Metro Manila
4. **Commission on Audit (COA)**
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. **National Electrification Administration (NEA)**
NIA Road, Diliman, Quezon City
8. **Power Sector Assets & Liabilities Management Corporation (PSALM)**
7TH Floor Bankmer Building, 6756 Ayala Avenue, Makati City
Province of Pangasinan
9. **Philippine Rural Electric Cooperatives Association, Inc. (PHILRECA)**
4th Floor Casman Bldg., 372 Quezon Avenue, Quezon City
9. **The City Mayor**
Quezon City