

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


IN THE MATTER OF THE
APPLICATION FOR APPROVAL OF
DISTRIBUTION CAPITAL
PROJECTS FOR THE YEARS 2007-
2008, WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2008-053 MC

PANAY ELECTRIC COMPANY, INC.
(PECO),

Applicant.

x-----x

D O C K E T E D
Date: FEB 03 2009
By: 


DECISION

Before this Commission for resolution is the application filed on April 11, 2008 by Panay Electric Company, Inc. (PECO) for approval of its distribution capital projects for the years 2007-2008, with prayer for provisional authority.

On May 21, 2008, the City of Iloilo filed its "*Comment/Opposition to the Application.*"

On August 8, 2008, PECO filed its "*Motion for Leave to Amend Application with Attached Amended Application.*"

Having found said amended application sufficient in form and in substance with the required fees having been paid, an Order and a Notice of Public Hearing, both dated August 14, 2008, were issued setting the case for initial hearing on October 20, 2008.



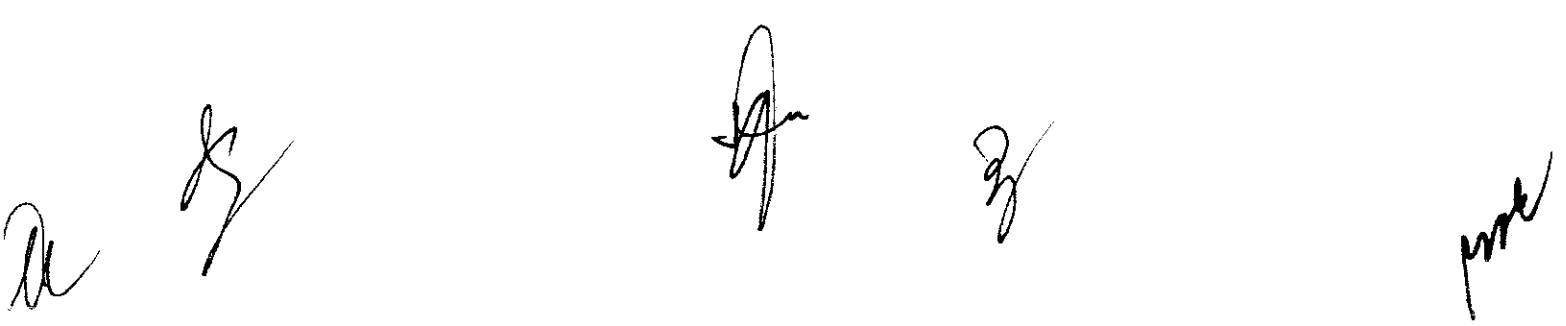
In the same Order, PECO was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of general circulation in the Philippines not later than ten (10) days before the scheduled date of initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor, and of the scheduled hearing thereon.

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 Iloilo City was furnished copies of the Order and the Notice of Public Hearing for the appropriate posting thereof on its bulletin board.

On October 15 to 17, 2008, the Commission conducted an ocular inspection on PECO's assets subject of the instant application.

During the October 20, 2008 initial hearing of this case, PECO appeared. The City of Iloilo, represented by its Legal Officer, Atty. Edgardo J. Gil, entered its appearance as provisional intervenor subject to the filing a petition to intervene within five (5) days from said date of hearing. No other



intervenor/oppositor appeared nor was there any other intervention/opposition registered.

In the said hearing, PECO presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "I", inclusive. Thereafter, it moved for continuance of hearing on December 4, 2008.

At the continuation of hearing on December 4, 2008, PECO and the City of Iloilo appeared.

In the said hearing, PECO proceeded with its expository presentation and then presented its lone witness, Mr. Randy S. Pastolero, its Audit Manager and Special Assistant to the President, who testified in support of the application. Thereafter, the Commission propounded clarificatory questions on the said witness.

On December 5, 2008, the City of Iloilo filed a "*Manifestation*" stating that it was no longer interested in filing its petition to intervene and that it be considered as an oppositor.

On January 5, 2009, PECO filed its "*Applicant's Offer of Exhibits*" which is hereby admitted for being relevant and material to the final resolution of the case.



DISCUSSION

PECO sought the Commission's approval of the following projects:

1. Improvement of Buildings and Facilities

a. Project Description:

- Procurement of materials for repair, maintenance and improvement of office building and substation facilities

b. Rationale of the project:

- To repair and maintain the office building and similar facilities inside the substation

c. Project Cost:

PhP92,531.00

2. Improvement of Substation and Plant Equipment

a. Project Description:

- Procurement of materials and equipment for substation plant operations

b. Rationale of the project:

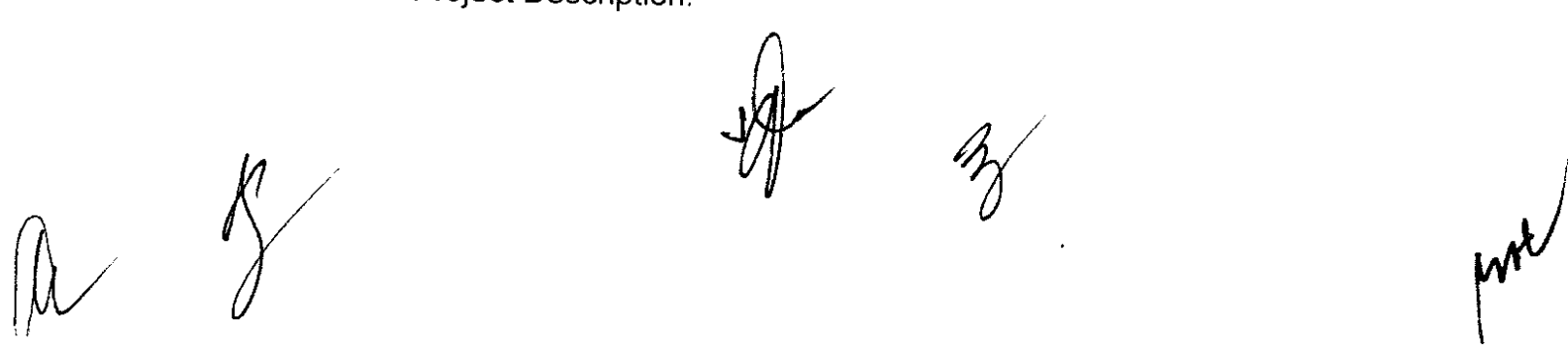
- To extend the economic life of the power substation equipment and accessories and improve system reliability

c. Project Cost:

PhP653,500.00

3. Acquisition of Furniture and Equipment

a. Project Description:

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- Procurement of office equipment and computer accessories

b. Rationale of the project:

- To replace the old and deteriorated office equipment for customer service

c. Project Cost: **PhP564,721.00**

4. Acquisition of Vehicle Spare-parts and Equipment

a. Project Description:

- Procurement of vehicle spare parts and supplies for operations

b. Rationale of the project:

- To improve customer service response

c. Project Cost: **PhP255,500.00**

5. Procurement of Communication Equipment, Tools and Devices

a. Project Description:

- Procurement of communication equipment, tools and devices

b. Rationale of the project:

- To increase operations efficiency and replace antiquated tools and other similar device

c. Project Cost: **PhP406,383.00**

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6. Corrective and Maintenance Works

a. Project Description:

- Procurement and installation of distribution line materials and hardwares for line extension, upgrading, corrective and maintenance works

b. Rationale of the project:

- To improve the electric distribution service efficiency and to minimize system downtime within the franchise area
- To provide power system reliability for the existing commercial and residential customers

c. Project Cost: **PhP26,359,016.00**

7. Procurement and Installation of Watthour Meters

a. Project Description:

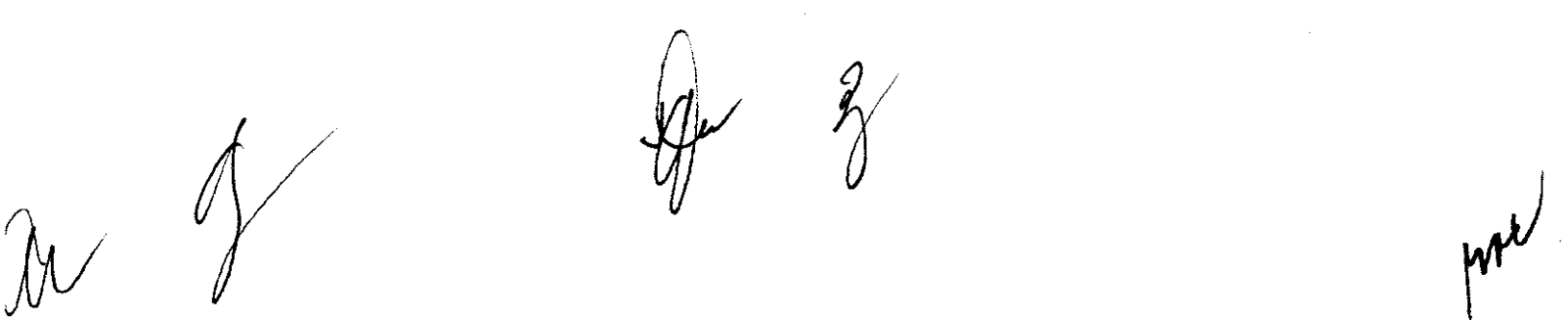
- Procurement and installation of watthour meters and accessories

b. Rationale of the project:

- To provide new customers' electrical connection and to monitor their power consumption

c. Project Cost: **PhP11,108,730.00**

Thus, the total project cost is as follows:

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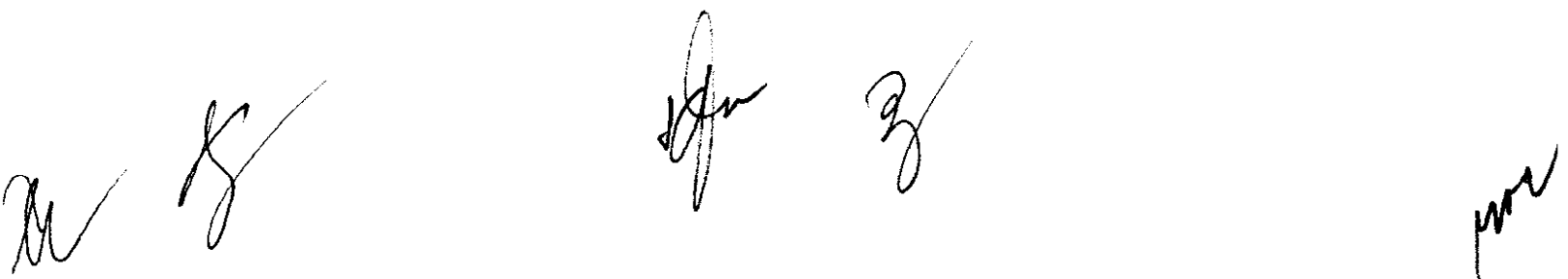
DESCRIPTION	COST (PhP)
Improvement of Buildings and Facilities	92,531.00
Improvement of Substation and Plant Equipment	653,500.00
Acquisition of Furniture and Equipment	564,721.00
Acquisition of Vehicle Spare-parts and Equipment	255,500.00
Procurement of Communication Equipment, Tools, and Devices	406,383.00
Corrective and Maintenance Works	26,359,016.00
Procurement and Installation of Watthour Meters	11,108,730.00
TOTAL PROJECT COST	39,440,381.00

PROJECT DESIGN

DISTRIBUTION LINES

The refurbished three (3) phase primary distribution lines utilize a single conductor per phase configuration with one (1) overhead grounding wire and supported by concrete and wooden poles. The type of conductor used for the distribution lines was the bare #4/0 Aluminum Conductor Steel Reinforced (ACSR) cable. The conductor's *ampacity* is about 360 amperes which is sufficient to handle the energy requirements for the next five (5) years.

The distribution lines along the national road are in conformity with the Department of Public Works and Highways (DPWH) prescribed standard distance measured from the road centerline, averaging about ten (10) meters. Some of the lines passed through some subdivisions and suburbs within Iloilo City. These were erected in close proximity to the access roads. Minimal vegetations were affected to clear the right-of-way of the distribution lines. The Right-of-Way (ROW) was not much of a concern since the route of the lines is in

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proximity with PECO's existing lines which have been previously issued a DPWH permit.

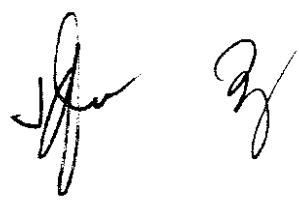
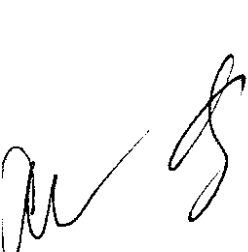
The supporting structures, pole dressing and assemblies used for the distribution lines comply and are in accordance with the standards of the Philippine Electrical Code (PEC).

COST ANALYSIS

The capital investment for these completed projects and activities amounted to Thirty-Nine Million Four Hundred Forty Thousand Three Hundred Eighty-One Pesos (**PhP39,440,381.00**). The figures indicated in the cost summary were based on the proposal submitted by the winning suppliers who participated in the competitive bidding. The cost of materials and other items were reflective of the market prices.

The bulk of the capital expenditure was attributed to materials specifically for the hardware and pole/line upgrading and kilowatt-hour meter installations. The labor component of the projects was done by PECO. Thus, labor cost was kept at a reasonable level.

A perusal of the evidence presented herein showed that the completion of the aforesaid projects redounded to the benefit of PECO'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 approval of distribution capital projects for the years 2007-2008 filed by Panay Electric Company, Inc. (PECO) is hereby **APPROVED**.

Relative thereto, PECO is hereby directed to pay the permit fee in the amount of Two Hundred Ninety-Five Thousand Eight Hundred Two Pesos and Eighty Six Centavos (PhP295,802.86) within ten (10) days from receipt hereof, computed as follows:

$$\begin{array}{r} \text{PhP39,440,381.00} \\ \hline \text{PhP100.00} \end{array} \times \text{PhP0.75} = \text{PhP295,802.86}$$

SO ORDERED.

Pasig City, January 26, 2009.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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Quezon City, Metro Manila
5. **Senate Committee on Energy**
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Pasay City 1307
7. **House Committee on Energy**
Batasan Hills, Quezon City 1126
8. **The Hon. Provincial Governor**
Province of Iloilo
9. **The Office of the City Mayor**
City of Iloilo
Province of Panay
10. **Atty. EDGARDO J. GIL**
The City Legal Officer
City of Iloilo
Province of Panay