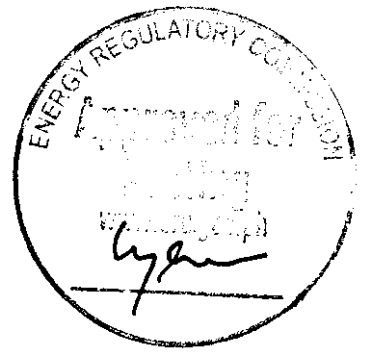


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City



**IN THE MATTER OF THE
APPLICATION FOR AUTHORITY TO
IMPLEMENT 2008 MAJOR
ELECTRICAL AND NON-ELECTRICAL
CAPITAL PROJECTS (ECPs and NON-
ECPs), WITH PRAYER FOR
PROVISIONAL AUTHORITY**

ERC CASE NO. 2008-115 MC

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

DOCKETED
Date: MAY 19 2009
By: [Signature]

DECISION

Before this Commission for resolution is the application filed on December 18, 2008 by Davao Light and Power Company, Inc. (DLPC) for authority to implement its major electrical and non-electrical capital projects (ECPs and Non-ECPs), 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 January 9, 2009, were issued setting the case for initial hearing on March 10, 2009.

In the same Order, DLPC was directed to cause the publication of the Notice of Public Hearing, at its own expense, once (1x) in a newspaper of

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general circulation in the Philippines, not later than ten (10) days before the scheduled date of initial hearing. It was 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 Offices of the Mayors of the Cities and Municipalities within DLPC's franchise area were furnished copies of the Order and Notice of Public Hearing for the appropriate posting thereof on their respective bulletin boards.

On January 21 to 23, 2009, the Commission conducted an ocular inspection on DLPC's assets subject of the instant application.

On March 5, 2009, DLPC filed its "*Pre-trial Brief*."

During the March 10, 2009 initial hearing of this case, only DLPC appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

At the said hearing, DLPC presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly

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marked as Exhibits "A" to "D-7", inclusive. Thereafter, it conducted an expository presentation of its application.

At the termination of the expository presentation, DLPC presented its lone witness, Engr. Ronald G. Chan, its Assistant Vice President (AVP) of Engineering Group, who testified, among others, on the major ECPs and Non-ECPs of DLPC for 2008, the justifications or reasons for these projects, the total costs of the major projects, and on how these projects will be funded. In the course of his direct examination, the witness identified various documents which were duly marked as exhibits. The said witness was, likewise, required to address the clarificatory questions propounded by the Commission.

On March 30, 2009, DLPC filed its "*Formal Offer of Exhibits and Compliance*" which are hereby admitted for being relevant and material to the final resolution of the case.


DISCUSSION

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

1. Upgrading and Relocation of 69 kV Sub-transmission Lines

a. Project Description:

- Upgrading and relocation of the 69 kV sub-transmission lines or line relocation at Quezon Boulevard due to a request made by the Department of Public Works and Highways (DPWH)

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- Rehabilitation of the 69 kV line at the P. Reyes substation along Roxas Boulevard
- Rehabilitation of the 69 kV Tagum line at the Lapuy-Acasia
- Acquisition of 69 kV line materials and accessories for emergency purposes
- Upgrading of the 69 kV line at the Puan Substation to Dumoy Substation
- Upgrading of the 69 kV Davao line at the Ulan crossing to Puan Substation
- Upgrading of the 69 kV line at the Bajada Substation-C take-off
- Upgrading of the 69 kV line at the Tori Substation incoming lines and take-off
- Upgrading of the 69 kV line at the Ernesto Aboitiz-1 and at the Victoria Substation incoming lines and take-off

b. Rationale of the Project:

- To stabilize the 69 kV sub-transmission lines
- To promote system reliability and flexibility and increase line capacity

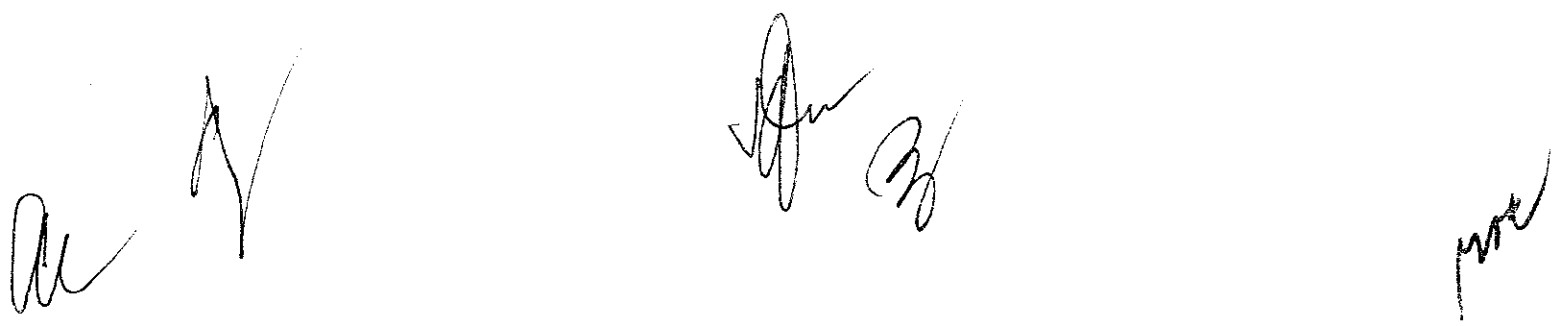
c. Project Cost:

PhP18,357,912

2. Upgrading and Rehabilitation of 13.8 kV Distribution Lines and Rural Electrification

a. Project Description:

- Replacement of 13.8 kV distribution line leaking insulators and installation of arresters
- Replacement of the 13.8 kV distribution line rotten poles and transformers
- Rehabilitation of 13.8 kV distribution line at the Cagangohan-1 and at the Cagangohan Substation to Lasang Bridge

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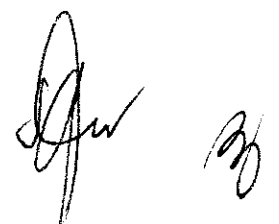
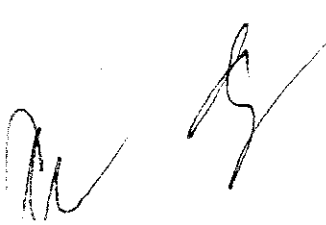
- Rehabilitation of the 13.8 kV distribution line at the Tadeco-1 and at Manay Elementary School to Dalisay, Manay
- Rehabilitation of the 13.8 kV distribution line at Dumoy-4 and at the Dumoy substation crossing to Davao-Cotabato Highway
- Rehabilitation of the 13.8 kV distribution line at Ecoland-2 and at the crossing Midland Village to Ma-a training camp
- Upgrading of 13.8 kV distribution line at Matina-1 and at the corner of Mc Arthur Highway to Quimpo-Jimms distribution service
- Upgrading of 13.8 kV distribution line at the P. Reyes-1 and at the Girl Scout of the Philippines (GSP) distribution service to China Bank Rizal Branch distribution service
- Upgrading of 13.8 kV distribution line at the P. Reyes-3 and at the GSP to corner Rizal Commercial Banking Corporation (RCBC) Palma Gil Branch
- Upgrading of 13.8 kV distribution line at the Bajada-1 and at the crossing of J.P. Laurel or Garcia Heights-Diversion Road
- Upgrading of 13.8 kV distribution line at the R. Castillo substation to Shell distribution service
- Upgrading of 13.8 kV distribution line at the Bajada-1 and at the Bajada Substation to Shell distribution service
- Upgrading of 13.8 kV distribution line at the San Vicente -1 and at the Panabo bus terminal to Maryknoll distribution service
- Upgrading of 13.8 kV distribution line at the Pampanga-3 and at the Pampanga Substation to Waterman distribution service
- Rural electrification of Barangays Magwawa, Municipality of Sto. Tomas, and Colosas, Tapak, and Bantol, all in the Municipality of Paquibato, Davao City

b. Rationale of the Project:

- To increase distribution system reliability

c. Project Cost:

PhP42,419,604



3. Installation of Protective Relays

a. Project Description:

- Installation of protective relays at the substation of Bangkal, Calinan, Ecoland, ERA, Gaisano, Matina, Pampanga, R. Castillo, Sta. Ana and Tadeco

b. Rationale of the Project:

- To improve distribution system reliability

c. Project Cost: **PhP5,178,701**

4. Installation of Capacitor Banks

a. Project Description:

- Installation of 10.8 Megavoltampere reactive (MVAR) of capacitor at various locations along the 13.8 kV distribution line

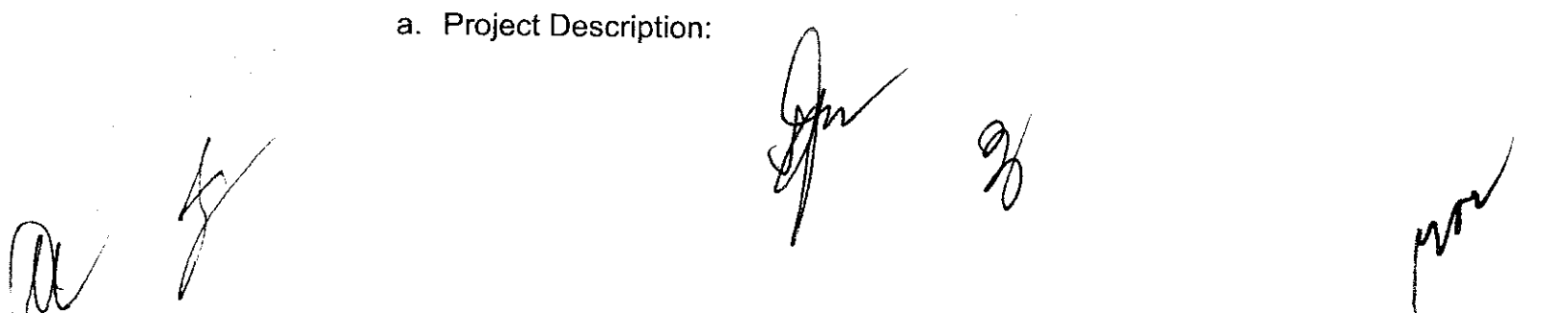
b. Rationale of the Project:

- To compensate the increasing reactive power and maintain the power factor at a desired level
- To help boost voltage during peak hours where voltage is low
- To reduce line losses and increase line capacity

c. Project Cost: **PhP11,401,364**

5. Acquisition of Specialized Vehicles

a. Project Description:

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- Acquisition of one (1) 55 feet Insulated Bucket Truck, one (1) Brand New Isuzu DMax IPV, one (1) Brand New Kia 4 X 4 Cab and Chassis, one (1) Brand New Digger Derrick, and one (1) Boom Truck

b. Rationale of the Project:

- To improve customer service response

c. Project Cost: **PhP16,400,000**

6. Construction of 33 MVA 3-Winding Power Transformer

a. Project Description:

- Construction of a new 33 MVA 3-winding Power Transformer

b. Rationale of the Project:

- To optimize the generating capacity of U20 Generator at Bajada Power Plant
- To unload the tertiary winding of ERA 150 MVA Power Transformer

c. Project Cost: **PhP36,441,457.00**

Thus, the total project cost is as follows:

DESCRIPTION	COST(PhP)
Upgrading and Relocation of 69 kV Sub-transmission Lines	18,357,912.00
Upgrading and Rehabilitation of 13.8 kV Distribution Lines and Rural Electrification	42,419,604.00
Installation of Protective Relays	5,178,701.00
Installation of Capacitor Banks	11,401,364.00
Acquisition of Specialized Vehicles	16,400,000.00
Construction of 33 MVA 3-Winding Power Transformer	36,441,457.00
TOTAL	PhP130,199,038.00

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COST ANALYSIS

The funding for the proposed projects will be taken from DLPC's internally generated funds.

TECHNICAL ANALYSIS

Upgrading and Relocation of the 69 kV Sub-transmission Lines

The project, which involves line relocation and replacement of rotten poles, is part of DLPC's maintenance activity. The reconfigurations and upgrading of lines, particularly the incoming and take-off at Bajada Substation, are intended to unload the tertiary winding of Ernesto Aboitiz 150 MVA Substation and address line constraint which affects the flexibility and reliability of the electric system, specially during load transfers.

Upgrading and Rehabilitation of 13.8 kV Distribution Lines and Rural Electrification

These projects are intended to increase line capacity and to enhance or increase system reliability and flexibility during load transfer.

It is worthy to note that DLPC's direction is to have a backbone feeder (primary distribution line) of 336.4 MCM Aluminum Cable Steel Reinforced (ACSR). The existing 4/0 ACSR lines are being gradually replaced to increase load carrying capacity.

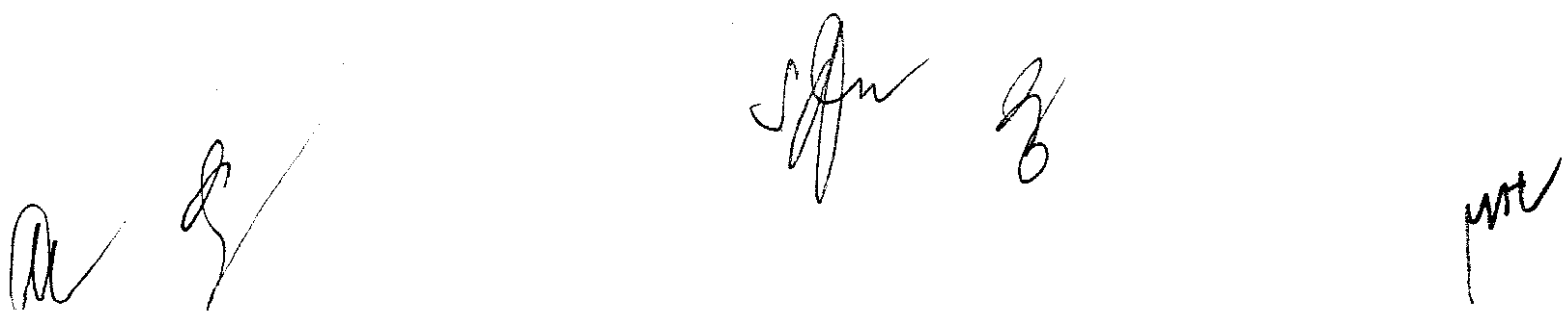
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The said projects are also intended to help DLPC in achieving its prime goal of providing continuous electric service to its customers by improving the overall reliability and efficiency of its electric distribution system.

As a result of DLPC's study on keraunic level in its franchise area, a decision was made to install surge arresters in its distribution lines. Keraunic level can be described as the lightning and thunder activity in a given area. It is defined as the annual number of days where thunder can be heard. In temperate regions like the Philippines, the keraunic level from 10 to 30 has been used to set standards for safe design of electrical systems.

Said protective device (surge arrester) is designed primarily for connection between a conductor of an electrical system and ground. Its main function is to limit the magnitude of transient over-voltages on equipment. Transient over-voltages are caused by lightning or in some cases, power switching. During conditions of lightning and switching surge over-voltages, the surge voltage is limited by the surge arrester to a safe value which the insulation levels of the equipment can withstand.

Said projects also include the rural electrification of four (4) Barangays, namely: Magwawa, Colosas, Tapak and Bantol. It was not covered by the ocular inspection due to inaccessibility and peace and order situation in the areas. DLPC manifested that only Brgy. Magwawa is being electrified which is 80% complete.

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Installation of Protective Relays and Capacitor Banks

Installation of protective relays on various substations will allow Supervisory Control and Data Acquisition (SCADA) communication and integration of the reclosing function of relays at the 69 kV section.

A total of 10.8 Megavoltampere Reactive (MVAR) of capacitor banks were installed at various locations along the DLPC's 13.8 kV distribution line which consists of 35-200 Kilovoltampere Reactive (kVAR) and 38-100 kVAR capacitor units.

Acquisition of Specialized and Small Vehicles

The acquisition of said vehicles will help DLPC to improve its mobilization in providing immediate response during system abnormalities and restoration of power. The acquisition of a Brand New Digger Derrick did not materialize due to budget re-alignment.

The ownership of the newly acquired vehicles was verified through Certificate of Registration as provided by DLPC while their existence was actually verified during the ocular inspection.

Construction of 33 MVA 3-Winding Power Transformer

The existing Bajada Substation D is rated at 12 MVA. Three (3) generating units (U20, U21 and U22), each rated at 5.23 MW (a total of 15.69

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MW), deliver their power through the said substation. The Bajada Substation D will be overloaded if the three (3) generating units will operate in full capacity.

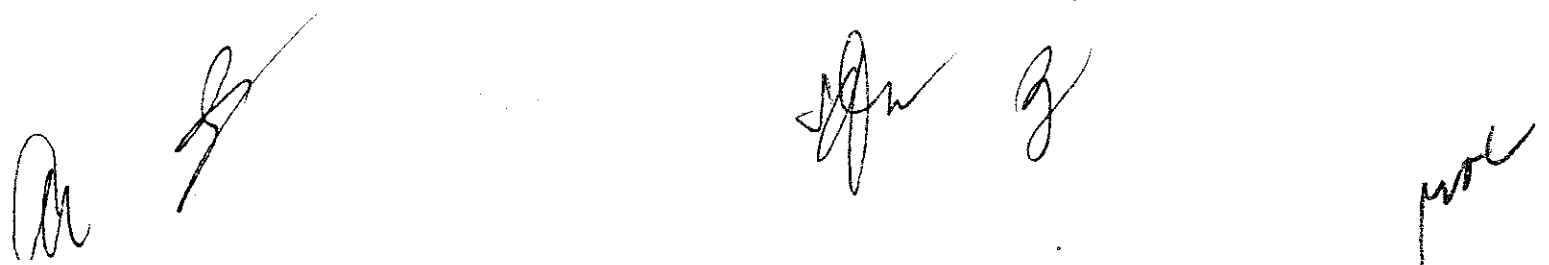
Transferring Generator U20 to the proposed 33 MVA Bajada Substation C will unload the Bajada Substation D with a maximum capacity of 10.46 MW (15.69-5.23 MW). With the 33 MVA Bajada Substation C, generators U20, U21 and U22 can be operated at full capacity.

The 33 MVA Bajada Substation C is intended to carry the load of Ernesto Aboitiz Substation's tertiary line. The said tertiary line will now be used as emergency or special line.

A perusal of the evidence presented herein showed that the completion and acquisition of the aforesaid projects will redound to the benefit of DLPC'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 authority to implement its Major Electrical and Non-Electrical Capital Projects (ECPs and Non-ECPs), with prayer for provisional authority, filed by Davao Light and Power Company, Inc. (DLPC) is hereby **APPROVED**.

Relative thereto, DLPC is hereby directed to pay a permit fee in the amount of **Nine Hundred Seventy-Six Thousand Four Hundred Ninety-Two Pesos and Seventy-Nine Centavos (PhP976,492.79)**, computed as follows:

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PhP130,199,038.00
----- x PhP0.75 = PhP976,492.79
PhP100.00

Further, DLPC is hereby directed to submit documents showing the actual costs of the projects upon completion.

SO ORDERED.

Pasig City, May 4, 2009.


ZENAIDA G. CRUZ-DUCUT
Chairperson


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

Copy Furnished:

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Provident Villages, Marikina City
2. **Davao Light and Power Co., Inc. (DLPC)**
Davao City
3. **Office of the Solicitor General**
134 Amorsolo Street, Legaspi Village,
City of Makati 1229
4. **Commission on Audit (COA)**
Commonwealth Avenue,
Quezon City 1121
5. **Senate Committee on Energy**
GSIS Building, Roxas Boulevard,
Pasay City 1300
6. **House of Representatives Committee on Energy**
Batasan Hills, Quezon City 1126
7. **Office of the City Mayor**
Davao City
8. **Office of the Municipal Mayor**
Carmen, Davao del Norte
9. **Office of the Municipal Mayor**
Dujali, Davao del Norte
10. **Office of the City Mayor**
Panabo, Davao del Norte
11. **Office of the Municipal Mayor**
Sto. Tomas, Davao del Norte