

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



IN THE MATTER OF THE
APPLICATION FOR AUTHORITY TO
IMPLEMENT 2009 MAJOR CAPITAL
PROJECTS, WITH PRAYER FOR
PROVISIONAL AUTHORITY

ERC CASE NO. 2009-066 MC

TARLAC
INCORPORATED (TEI),

ELECTRIC

Applicant.

X-----X

DOCKETED
Date: FEB 15 2010
By: _____

DECISION

Before this Commission for resolution is the application filed on August 4, 2009 by Tarlac Electric Incorporated (TEI) for authority to implement its 2009 major capital projects, 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 September 22, 2009, were issued setting the case for initial hearing and pre-trial conference on November 4, 2009.

In the same Order, TEI 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 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.

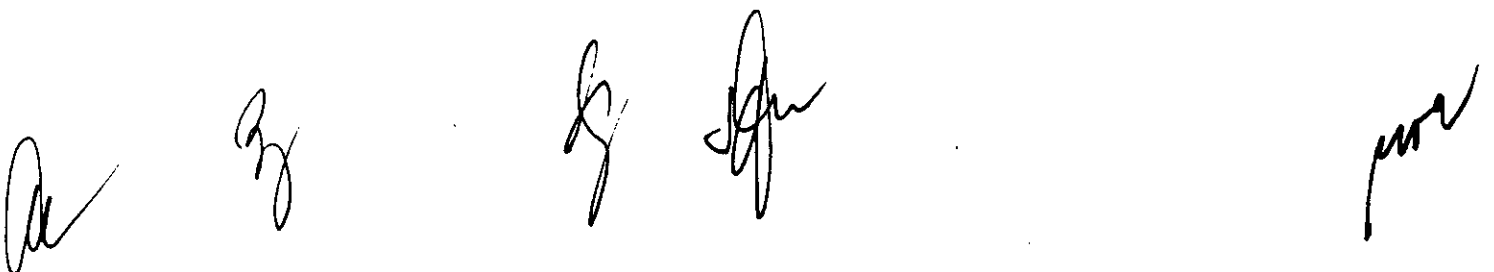
Likewise, the Office of the Mayor of Tarlac City was furnished with copies of the Order and Notice of Public Hearing for the appropriate posting thereof on its bulletin board.

On November 3, 2009, TEI filed its "*Pre-trial Brief*".

During the November 4, 2009 initial hearing, only TEI appeared. No intervenor/oppositor appeared nor was there any intervention/opposition registered.

At the said hearing, TEI presented its proofs of compliance with the Commission's posting and publication of notice requirements which were duly marked as Exhibits "A" to "D-1", inclusive. Thereafter, it conducted an expository presentation of its application.

At the termination of the expository presentation, TEI presented its lone witness, Engr. Monchito M. Albano, its Operations Manager, who testified in support of the application. The direct examination having been terminated, the Commission propounded clarificatory questions on the said witness.



On November 12 to 13, 2009, the Commission conducted an ocular inspection on TEI's assets subject of the instant application.

On November 20, 2009, TEI filed its "*Formal Offer of Exhibits and Compliance*" which is hereby admitted for being relevant and material in the final resolution of the case.

DISCUSSION

TEI sought the Commission's approval of the following:

1. Rehabilitation and Extension of 69 kV Line

a. Project Description:

- The rehabilitation and extension of the 69 kV line consist of two sub-projects, namely: 1) rehabilitation of the existing 69 kV line from Luisita Industrial Park (LIP) Substation to Avantex; and 2) line extension from Avantex to Luzon Corporation (LuzCor) stretching approximately 1.85 kilometers (kms.) using a single circuit #795 MCM Aluminum Carbide Steel Reinforced (ACSR) conductor with an overhead ground line protection

b. Rationale of the Project:

- To improve the overall system reliability, voltage regulation, and reduction of system loss

c. Project Cost:

PhP5,104,566.52



2. Installation of two (2) 69 kV Feeder Breakers

a. Project Description:

- Installation of two (2) 69 kV power circuit breakers for the LIP additional feeder breakers with current rating of 1200 amperes (amps.). Each breaker has installed accessories of six (6) bushing Current Transformers (CTs) for monitoring and protection.

b. Rationale of the Project:

- To comply with the provisions of the Philippine Grid Code (PGC)

c. Project Cost:

PhP8,825,000.00

3. Construction of a new 13.8 kV Primary Line Feeder

a. Project Description:

- Construction of a new 13.8 kV primary line feeder from San Rafael substation to San Roque Shoemart (SM) Mall, Tarlac using a three (3) phase line of 1-336.4 MCM ACSR conductor two (2) kms. long

b. Rationale of the Project:

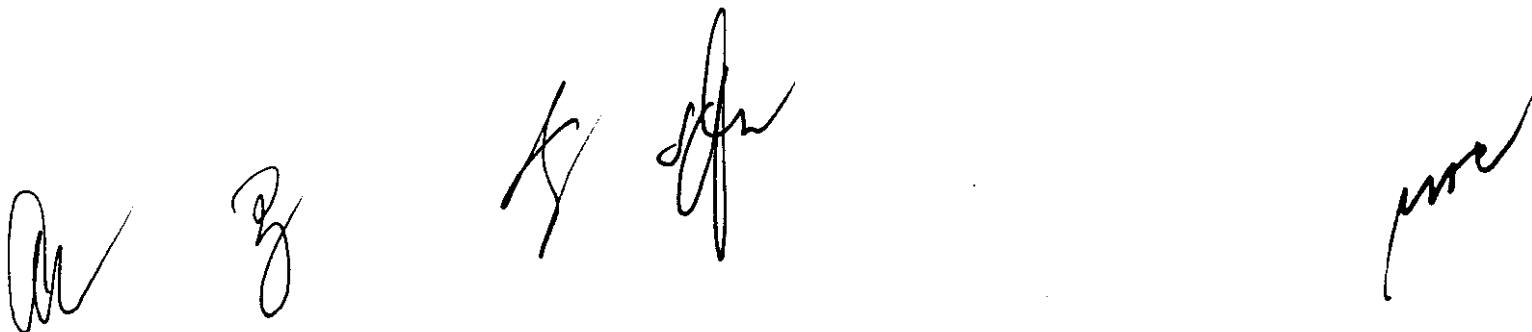
- To address load growth

c. Project Cost:

PhP1,512,257.27

COST ANALYSIS

The project costs (except the additional annual expense) shall be funded using TEI's internally generated funds and from secured loans, as follows:



PROJECT DESCRIPTION	TOTAL PROJECT COST (PhP)	SOURCE OF FUNDS
Rehabilitation and Extension of 69KV Line from LIP to Avantex to LuzCor	5,104,566.52	ICG/Loans
Additional 69KV Feeder Breakers at LIP Substation	8,825,000.00	ICG/Loans
Primary Line from San Rafael Substation to San Roque Shopping Mall area	1,512,257.27	ICG/Loans
Total Project Cost	15,441,823.79	

Note: ICG-internal cash generated

TECHNICAL ANALYSIS

The rehabilitation and extension of TEI's 69 kV line from LIP Substation to LuzCor area are intended to: a) improve reliability and flexibility of the distribution system since the lines can accommodate additional load during load transfer; b) improve power quality by reducing voltage drop of the nominal 69 kV from 4.2% to 2.61%; and c) reduce system loss by about 0.091%.

Performance Measures

a. Power Quality (Voltage)

Particulars	Voltage Drop Without the Project	Voltage Drop With the Project
69 kV Line from LIP Substation to LuzCor Area	4.2%	2.61%

b. System Loss (SL)

Particulars	Without the Project	With the Project
Percent Total SL	9.44%	9.349%
Approximate Saving/Year (PhP)	-	1,011,117.15

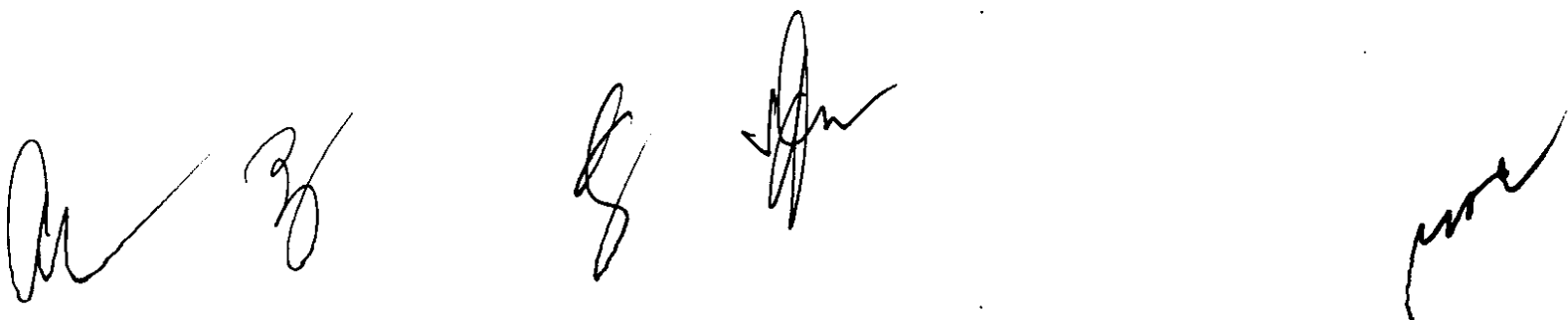
Record of this case disclosed that the forecasted demand growth of TEI is 2.31% while its total substation capacity of 75 MVA is expected to reach the ideal maximum loading of 70% in year 2017.

A perusal of the evidence presented herein showed that the completion of the aforesaid projects would redound to the benefit of TEI'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 filed by Tarlac Electric Incorporated (TEI) for authority to implement its 2009 major capital expenditure projects is hereby **APPROVED**.

Relative thereto, TEI is hereby directed to pay a permit fee in the amount of **One Hundred Fifteen Thousand Eight Hundred Thirteen Pesos and Sixty-Eight Centavos (PhP115,813.68)**, within fifteen (15) days from receipt hereof, computed as follows:

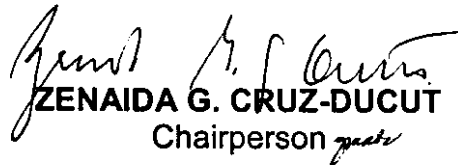
$$\begin{array}{r} \text{PhP15,441,823.79} \\ \hline \text{PhP100.00} \end{array} \times \text{PhP0.75} = \text{PhP115,813.68}$$



TEI is further directed to file a separate application for approval of its loans to fund the aforesaid projects.

SO ORDERED.

Pasig City, February 8, 2010.


ZENAIDA G. CRUZ-DUCUT
Chairperson *quatuor*


RAUF A. TAN
Commissioner


ALEJANDRO Z. BARIN
Commissioner


MARIA TERESA A. R. CASTAÑEDA
Commissioner


JOSE C. REYES
Commissioner

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4. **Commission on Audit**
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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. **Office of the City Mayor**
Tarlac City, Province of Tarlac