

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



**IN THE MATTER OF THE
APPLICATION FOR
AUTHORITY TO
IMPLEMENT THE
PROPOSED CAPITAL
EXPENDITURE PROGRAM
FOR REGULATORY YEAR
(RY) 2016, WITH PRAYER
FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2016-014 RC

**CLARK ELECTRIC
DISTRIBUTION
CORPORATION (CEDC),
Applicant.**

X-----X

D O C K E T E D
Date: APR 12 2016
By: [Signature]

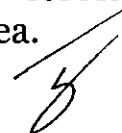
ORDER

On 18 February 2016, the Clark Electric Distribution Corporation (CEDC) filed an application for authority to implement the proposed capital expenditure program for regulatory year (RY) 2016, with prayer for provisional authority.


In the said application, CEDC alleged, among others, the following:

1. CEDC is a corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga, Philippines, where it may be served with summons and other legal processes.

2. CEDC is the exclusive franchise holder issued by the Clark Development Corporation (CDC), by virtue of Executive Order No. 80, to operate and maintain the power distribution system within the Clark Special Economic Zone and to distribute power exclusively therein.
3. CEDC is part of the Fourth Entry Group (otherwise known as "Group D") that entered into the performance-based regulation ("PBR") rate setting methodology on October 1, 2011.
4. The Commission approved CEDC's Capital Expenditure Program (CAPEX) for the entire Second Regulatory Period – 01 October 2011 to September 30, 2015 in CEDC's Final Determination dated 06 July 2011 (ERC Case No. 2010-131RC).
5. The Third Regulatory Period (3RP) for the Fourth Entry Group commenced on 1 October 2015 and shall end on 30 September 2019. However, CEDC is still awaiting the release of the final rules to govern the filing of its 3RP reset application. In the meantime, CEDC needs to implement certain major and residual CAPEX projects in Regulatory Year (RY) 2016 in order to operate and maintain its distribution network to be able to continue to meet the electricity needs of its current and future customers.
6. CEDC is filing this application in accordance with Commonwealth Act No. 146, as amended, also known as the Public Service Act, which requires any public service to seek the prior approval of this Honorable Commission before it can establish, construct, maintain, and operate new facilities or make any extension of its existing facilities.
7. The need to implement the proposed CAPEX projects is crucial to the customers of CEDC. Its RY 2016 CAPEX Program is geared towards ensuring the safety, reliability, and efficiency of its distribution system while providing for the forecasted growth of electricity demand within its franchise area.



- a. The investors/locators in the Clark Freeport Zone (CFZ) are mainly multi-national companies with the following breakdown in energy sales: 62% from the industrial sector, 37% from the commercial sector, 0.8% are in the residential sector and 0.2% are street lights accounts. Some of the more notable locators of the CFZ are foreign semiconductor manufacturing companies like Phoenix Semiconductor Philippines Corporation (PSPC), Nanox Philippines, Amertron Incorporated and SMK Electronics; Taiyo Nippon Sanso Clark Incorporated (TNSCI - INGASCO), Yokohama Tires Philippines, Clark International Airport Corporation, Philippine Air Force and SM City Clark. The locators of CFZ are major contributors to the economic growth of the country and source of employment for thousands of Filipinos, particularly in the Central Luzon area. The operations and processes of these locators are highly dependent on stable, reliable and quality power.
 - b. The distribution infrastructure must be sufficient to serve CEDC's current customers while provisioning to meet future needs. CEDC's peak demand in the 3RP is forecasted to grow at about 34.93% over the first regulatory year (known as RY 2016) of the Third Regulatory Period. This is mainly driven by a robust growth in the industrial and commercial sector. This increase in peak demand and the additional customer connections will require CEDC to increase the capacity of the electric distribution system in order to accommodate customer connections while improving the reliability and power quality of its distribution system.
8. There is also therefore a need to construct the necessary infrastructure to provide N-1 contingency so that the distribution system can withstand any single line outages without loss of load to customers. A more detailed description of the background behind CEDC's CAPEX program is set out in Annex "A" of this application.




LIST OF CAPEX PROJECTS

9. CEDC hereby proposes the following Major Projects¹ for RY 2016:

List of RY 2016 Major CAPEX Projects

Project Name	Project Cost (PhP)	Annex
Development of Mabalacat 69 kV – 13.8 kV Substation	220,094,350	B-1
Construction of CDC – Mabalacat 69 kV Line	90,699,900	B-2
Construction of Roxas – IE-5 69 kV Line	129,857,380	B-3
Acquisition of CDC-owned 2-100 MVA 230 kV – 69 kV Power Transformers (T3 & T4), 69 kV PSPC Ring Bus and Double Circuit 69 kV Lines serving PSPC	188,783,379	B-4
Reconfiguration of PSPC 69 kV Ring Bus to Four Bay Breaker-and-a-half Configuration	78,194,560	B-5
Proposed Spare 50 MVA Power Transformer	50,000,000	B-6
TOTAL	757,629,569	

Copies of the detailed project justifications of the major projects under CEDC's RY2016 CAPEX program are attached to the application as Annexes "B-1" to "B-6".



¹ Major Projects are defined as projects for which the capital expenditure forecasted in a Regulatory Year for the project is greater than PhP30 million or 20% of the total capital expenditure forecasted for a Regulatory Year, whichever is lower.

10. EDC's proposed Residual Projects, broken down by asset categories, are as follows:

Project Name	Project Cost (PhP)	Annex
Poles, Towers, and Fixtures – Distribution [Growth]	5,495,299	C-1
Overhead Conductors and Devices – Distribution [Growth]	15,739,380	C-2
Underground Conductors and Devices – Distribution [Growth]	7,124,732	C-3
Distribution Transformers [Growth]	22,547,523	C-4
Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Growth]	7,628,782	C-5
Information Technology Equipment – Distribution [Growth]	4,916,988	C-6
Overhead Conductors and Devices – Customer [Growth]	2,470,554	C-7
Power Conditioning Equipment [Renewal]	85,800	C-8
Underground Conductors and Devices – Distribution [Renewal]	14,285,983	C-9
Distribution Transformers [Renewal]	2,254,026	C-10
Poles, Towers, and Fixtures – Distribution [Renewal]	4,690,000	C-11
Information Technology Equipment – Distribution [Renewal]	409,200	C-12
Meters, Instruments & Metering Transformers – Consumer Consumption Metering [Renewal]	5,759,377	C-13
Transportation Equipment – Non-network [Growth]	12,727,000	C-14
Tools, Shop, and Garage Equipment – Non-network [Growth]	6,825,995	C-15
Information Systems Equipment – Non-network [Growth]	2,089,066	C-16
Office Furniture and Equipment – Non-network [Renewal]	16,044,875	C-17
Transportation Equipment – Non-network [Renewal]	23,760,000	C-18
TOTAL	154,854,580	

Copies of the project justifications of the residual projects under CEDC's RY2016 CAPEX program are attached to the application as Annexes "C-1" to "C-18".

11. Pending the reset process, and since CEDC's RY 2016 CAPEX Program will improve the overall service it provides to the electricity consumers, CEDC respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time it is put in service and considered used and useful, should be recognized as a deferred amount to be included in CEDC's 3RP reset calculations as shall be subsequently filed in accordance with any regulations that the Commission shall issue.
12. It is imperative for CEDC to undertake expansion and rehabilitation of its network facilities through acquisition of new assets in order to ensure continuous compliance with safety, performance and other statutory/regulatory requirements, and to address both the rapid load growth and stringent power quality requirements of its customers.
13. Thus, pending final approval, there is an urgent need for a provisional authority for CEDC to immediately implement its proposed RY 2016 CAPEX program. In support of the prayer for the grant of a provisional authority, attached to the application as Annex "D" is the Judicial Affidavit of Mr. Milo R. Pantig, SAVP and Head of CEDC's Distribution Services.
14. CEDC prays that the Commission approve its application for authority to implement CEDC's proposed CAPEX Program for Regulatory Year (RY) 2016 and that the building block components associated with the CAPEX Program from the time it is put in service and considered used and useful, be recognized as a deferred amount to be included in CEDC's subsequent Third Regulatory Period reset calculations.

Finding the said application sufficient in form and substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **10 June 2016 (Friday) at two o'clock in the afternoon (2:00 P.M.) at CEDC's Principal Office, Bldg. N2830, Bayanihan Street, Clark Freeport Zone, Pampanga.**



CEDC is hereby directed to cause the publication of the attached Notice of Public Hearing in two (2) newspapers of general circulation in the Philippines at its own expense, twice (2x) within two (2) successive weeks, the dates of publication not being less than seven (7) days apart, with the date of last publication made not later than ten (10) days before the date of the scheduled 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.

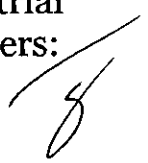
Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Administrator/Responsible Officer of the Clark Freeport Zone Authority (CFZA) for the appropriate posting thereof on their respective bulletin boards.

CEDC is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, CEDC must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of a certification issued to that effect, signed by the afore-mentioned Administrator/Responsible Officer, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

CEDC and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:



- a) A summary of admitted facts and proposed stipulation of facts;
- b) The issues to be tried or resolved;
- c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of CEDC to submit the required Pre-trial Brief and Judicial Affidavits of its witnesses 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 said date of cancellation.

As part of the pre-trial conference, CEDC must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, 05 April 2016.

FOR AND BY AUTHORITY OF
THE COMMISSION:



JOSE VICENTE B. SALAZAR
Chairman and CEO

Copy Furnished:

1. **ATTY. RANULFO M. OCAMPO**
Counsel for CEDC
7/F Strata 100 Bldg./ F. Ortigas Jr. Road
Ortigas Center, Pasig City
2. **Clark Electric Distribution Corporation
(CEDC)**
Attention: Mr. Ricardo V. Buencamino
President and Chief Executive Officer
N2830 Bayanihan Street, Clark Freeport Zone
Pampanga
3. **The Office of the Solicitor General**
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
4. **The Commission on Audit**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
5. **The Committee on Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
6. **The Committee on Energy**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
7. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, ECC Building, Sen. Gil Puyat Avenue
Makati City
8. **Office of the Administrator/Responsible Officer**
Clark Freeport Zone, Province of Pampanga

