

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



**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE  
CAPITAL EXPENDITURE  
PROGRAM FOR  
REGULATORY YEARS 2019  
AND 2020**

**ERC CASE NO. 2019-036 RC**

**TARLAC ELECTRIC, INC.  
(TEI),**

**Applicant.**

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Promulgated:

JUN 07 2019

**ORDER**

On 17 May 2019, the Tarlac Electric, Inc. (TEI) filed an *Application* dated 10 May 2019 seeking the Commission's approval of the Capital Expenditure Program for regulatory years 2019 and 2020.

In the said *Application*, TEI alleged the following, among others:

1. Applicant TEI is a Distribution Utility (DU) duly organized and existing under Philippine law, with principal office address at Mabini Street, Tarlac City, Tarlac; franchised under Republic Act No. 10795 to distribute electricity in Tarlac City. It is represented by its President and General Manager, Vitus M. Romero.
2. TEI's franchise area covers 275 square-kilometers, consisting of 76 barangays, with a peak demand of 80 MW registered in 2018. TEI currently has six (6) substations with a total capacity of 156 MVA. From these substations are connected twenty (20) 13.8 kV feeders.
3. TEI is part of the Third Entry Group (otherwise known as "Group C") that entered the performance-based regulation ("PBR") rate setting methodology on July 1, 2010. The Commission approved TEI's Capital Expenditure Program for the entire 2<sup>nd</sup> Regulatory Period (RP) from July 1, 2010 to June 30, 2014 in TEI's Final Determination dated March 8, 2010 (ERC Case No. 2009-042RC).

4. The last year of TEI's Second Regulatory Period expired last June 30, 2014. The Third Regulatory Period (3RP) for the Third Entry Group was supposed to have commenced on July 1, 2014 and ended on June 30, 2018. While the Commission has already released the Modified Rules for Setting Distribution Wheeling Rates (RDWR) under ERC Resolution No. 25, Series of 2016, TEI is still waiting for the go-ahead from the Commission to file its 3<sup>rd</sup> RP reset application.

5. Given that it has no approved CAPEX program after 30 June 2014, TEI is thus constrained to file the following CAPEX projects for RY 2019 and 2020 to enable it to provide a continuous and reliable service to its customers and to be able to cater to load growth, to wit:

Network Projects				
Project Code	RY	Proposed Projects	Description	TOTAL Project Cost
001	2020	Upgrading of Maliwalo Substation	Additional 25/33 MVA, 69/13.8 kV, OA/FA power transformer and accessories including extension of 7.5 km underbuilt primary lines, and rehabilitation of old Maliwalo substation switchgear and control house.	PhP96,660,373.36
Non-Network Projects				
002	2020	Upgrade to Full Scada Implementation for San Rafael, LIP, San Vicente, Panganiban, Maliwalo and TPC	Automation of all TEI's substations into One (1) complete SCADA system and separate it from TEI's Corporate Data Network	PhP81,844,708.35
003	2020	Construction of Communication Towers for all TEI Offices and Substations	Construction of six (6) units 50-meters Communication Towers at TEI Main Office, LIP Substation, San Rafael Substation, Maliwalo Substation, proposed San Vicente Substation, and Sto. Niño (TPC) Substation	PhP52,787,348.66

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004	2019	Acquisition of Additional Server and Storage System for TEI's Network	Acquisition of Servers, Switches, and Storage for TEI's Operations/Network	PhP43,269,080.43
005	2019	Acquisition of Additional TEI Cyber Security and Threat Protection Project	Acquisition Hardware Appliance and Software subscription for Cybersecurity and Threat Prevention (Firewalls) for TEI's Indoor and Outdoor Network Infrastructure.	PhP19,584,056.47
006	2019	Acquisition of Service Vehicles	Replacement of Old Service Vehicles: <ul style="list-style-type: none"> <li>• Seven (7) Units of 4x2 Pick-up</li> <li>• Two (2) Unit of 4x4 Pick-up</li> </ul>	PhP9,917,600.00
<b>TOTAL CAPEX RY 2019-2020:</b>				<b>PhP304,063,167.27</b>

6. The total cost of the projects will be financed from internally generated funds.

7. TEI 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, be considered as a deferred amount to be included in TEI's succeeding Regulatory Period reset calculations.

8. TEI submits the following documents in support of the application:

<b>Annex</b>	<b>Description of Document</b>
Annex A	Executive Summary
Annex B	TEI's System Map
Annex C	Single line diagram of the distribution system (substation plus primary feeder line)
Annex D	Distribution Planning Procedure
Annex 1.1	Technical and Economic Analysis
Annex 1.2	Supplier Quotation 1
Annex 1.3	Supplier Quotation 2
Annex 2.1	Substation Automation System (SAS) and Remote Terminal Unit (RTU) Quotation
Annex 2.2	Substations and Control Center Panels with Redundancy Quotation
Annex 2.3	TEI_SCADA_SAS with Redundancy (Support Documents)
Annex 3.1	Communication Tower Quotation
Annex 3.2	Communication Rooms Quotation
Annex 4.1	Cisco Network quote

Annex 5.1	Firewall security quote
Annex 6.1	List of Service Vehicles
Annex 6.2	Toyota SRP List 2019
Annex 6.3	Mitsubishi Pricelist Philippines
Annex 6.4	Ford Price List
Annex 7	TEI CAPEX RY 2019-2020_Economic Analysis and Rate Impact

WHEREFORE, TEI respectfully prays that the Honorable Commission approved its proposed Capital Expenditure Program for Regulatory Years (RY) 2019 and 2020.

TEI further prays 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, be considered as a deferred amount to be included in TEI's succeeding Regulatory Period reset calculations.

Finding the said *Application* to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on **05 September 2019 (Thursday) at one o'clock in the afternoon (1:00 P.M.) at TEI's Principal Office at Mabini Street, Tarlac City, Tarlac.**

Accordingly, TEI is hereby directed to:

- 1) Cause the publication of the attached *Notice of Public Hearing* in two (2) newspapers of nationwide 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, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Public Hearing* the Offices of the Provincial Governor, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within TEI's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within TEI's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;

- 4) Furnish with copies of this *Order* and the attached *Notice of Public Hearing*, 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; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, TEI must submit to the Commission its written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked the following:

- 1) The evidence of publication of the attached *Notice of Public Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Public Hearing* were published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Public Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by TEI to inform the consumers affected of the filing of the *Application*, its reasons therefor, and of the scheduled hearing thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Public Hearing* by the OSG, COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Application* and its attachments by all those making requests therefor, if any; and
- 6) Such other proofs of compliance with the requirements of the Commission.

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

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of TEI to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings, and the resetting of which shall be six (6) months from the said date of cancellation.

TEI must also be prepared to make an expository presentation of the instant *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, the nature of the *Application*, with relevant information and pertinent details substantiating the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, 30 May 2019.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSEFINA PATRICIA A. MAGPALE-ASIRIT**  
Commissioner

**Copy Furnished:**

1. Atty. Ranulfo M. Ocampo  
*Counsel for TEI*  
7/F STRATA 100 Bldg. F. Ortigas Jr. Road, Ortigas Center, Pasig City
2. Tarlac Electric, Inc. (TEI)  
*Applicant*  
Mabini Street, Tarlac City, Tarlac
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
4. Commission on Audit  
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. Philippine Chamber of Commerce and Industry (PCCI)  
3<sup>rd</sup> floor, Chamber and Industry Plaza (CIP)  
1030 Campus Avenue corner Park Avenue  
McKinley Town Center, Fort Bonifacio, Taguig City
8. Office of the City Mayor  
Tarlac City, Tarlac
9. Office of the Local Government Unit (LGU) legislative body  
Tarlac City, Tarlac
10. Office of the Provincial Governor  
Province of Tarlac
11. Office of the Local Government Unit (LGU) legislative body  
Province of Tarlac
12. Regulatory Operations Service (ROS)  
17<sup>th</sup> Floor, Pacific Center Bldg., San Miguel Ave., Pasig City