

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City



**IN THE MATTER OF THE  
APPLICATION FOR  
CONFIRMATION OF  
CAPITAL EXPENDITURE  
PROJECTS FOR 2018 TO  
2020 AND APPROVAL OF  
CAPITAL EXPENDITURE  
PROJECTS FOR 2021**

**ERC CASE NO. 2021-068 RC**

**OLONGAPO ELECTRICITY  
DISTRIBUTION COMPANY  
INC. (OEDC),**

**Promulgated:**  
September 10, 2021

*Applicant.*

X-----X

**ORDER**

On 24 August 2021, Olongapo Electricity Distribution Company Inc. (OEDC) filed an *Application* dated 15 July 2021, seeking the Commission's confirmation of its Capital Expenditure (CAPEX) Projects for 2018 to 2020 and approval of its CAPEX Projects for 2021.

The pertinent allegations of the said *Application* are hereunder quoted as follows:

1. Applicant is a corporation duly organized and existing under Philippine law, with principal office address at 1170 Rizal Avenue East Tapinac Olongapo City, and is franchised under Republic Act No. 10373 to construct, own, operate and maintain an electric distribution system in the City of Olongapo and its suburbs.
2. Pursuant to existing ERC Guidelines particularly Resolution No. 18, Series of 2008, entitled "Resolution Adopting the Rules for Approval of Regulated Entities' Capital Expenditure Projects", as amended by Resolution No. 26, Series of 2009 and in relation with Section 43 (f) of Republic Act No. 9136, applicant is filing this Application.
3. The undertaking of the capital expenditure projects for OEDC's network and non-network assets are driven by these factors:

3.1 Safety

Considering that safety is a paramount concern in power distribution industry, continuous safety assessments are conducted with a view to ensure that everything is in order. After conducting technical simulations to assess the system's capacity to handle faults and its ability to absorb or divert surges, OEDC has considered to install neutral lines and distribution transformer (DT) station grounding as one of its CAPEX projects to address this safety concern.

In addition, structural rehabilitation project and office building repairs are included in the list of CAPEX projects to address safety concerns on the structural integrity of the substation and office building. On the other hand, to ensure the health and safety of the employees and service contractors during this pandemic, a contractor's temporary shelter was proposed to be constructed.

3.2 Capacity

In order to address the issue on capacity/overloading in Mercurio substation and to separate the flood prone area of Barangay Sta. Rita from other adjacent barangays, it has been proposed to enable Mercurio Feeder 1 project and the Mercurio Feeder 1 and Kale Feeder 1 Interconnection project. Similarly, to increase the system capacity due to this expected load growth, OEDC proposes to upgrade its distribution system and put up line extensions and expansion projects.

3.3 Reliability Improvement

Some of these capital expenditure projects aim to enhance the reliability, efficiency and power quality of OEDC's distribution system. These include construction of additional feeder and another 69kV line interconnection for alternate supply and feeder relay upgrading.

3.4 Renewal/Refurbishment

Other capital expenditure projects are undertaken to improve and keep the existing assets well-maintained and to improve system performance for better customer service.

Included are line revision and maintenance projects, and service materials for connection maintenance and repair.

### 3.5 Service Efficiency

With a view to efficiently serve the customers of Olongapo, OEDC also has to undertake enhancement in its communication and information systems equipment. Part of OEDC's capital expenditure program is the acquisition and development of e-services application, operating system and office productivity software, network performance monitoring system, acquisition of computer hardware, fixed asset register system, replacement and acquisition of office furniture and equipment, refurbishment and purchase of service vehicle and office building repairs in order to improve its processes and to provide better quality of customer service.

4. Shown below is a summary of the network and non-network CAPEX projects and their costs with the corresponding years.

Proposed Projects			Project Cost (Php)				
Project No.	Title	Type	2018	2019	2020	2021	Total
Network CAPEX							
AR-01	Neutral Lines and DT Station grounding installation	Safety	587,072.53	55,611.11	209,406.33	3,488,305.97	4,340,395.94
AR-02	Line Revision and Maintenance Projects	Safety	22,621,464.09	20,446,354.78	15,988,378.27	17,345,218.28	76,401,415.41
AR-03	Service Materials for Connection Maintenance and Repair	Safety	585,844.75	616,012.73	489,603.74	1,355,228.01	3,046,689.23
AR-04	New Feeder – Mercurio Feeder 1	Capacity		5,388,372.53			5,388,372.53
AR-05	Mercurio and Kale Substation Medium-Voltage Tie-Line	Capacity				1,957,229.99	1,957,229.99
AR-06	Line Hardware and Service Materials for SMOC Connection	Capacity		2,207,123.05			2,207,123.05
AR-07	Line Extension and Expansion Projects	Capacity	11,929,867.05	6,973,309.66	7,139,793.89	7,062,725.37	33,105,695.96
AR-08	Service Materials for New Connections and Reconnections	Capacity	4,835,954.70	4,853,920.69	3,021,534.59	4,927,895.63	17,639,305.62
AR-09	OEDC Alternate Sub-transmission Supply	Reliability				1,148,982.88	1,148,982.88
AR-10	MF2 and MF6 Feeder Relay Upgrading	Reliability				349,695.18	349,695.18

Proposed Projects			Project Cost (Php)				
Project No.	Title	Type	2018	2019	2020	2021	Total
Non-Network CAPEX							
BR-01	Mercurio Substation Structural Rehabilitation	Safety				2,999,301.74	2,999,301.74
BR-02	Office Building Repairs and Improvements	Safety				178,002.50	178,002.50

**ERC CASE NO. 2021-068 RC**  
**ORDER/ 03 SEPTEMBER 2021**  
**PAGE 4 OF 11**

BR-03	Contractor's Temporary Shelter	Safety				266,393.56	266,393.56
BR-04	Replacement and Acquisition of Communication Equipment	Service Efficiency	20,000.00	116,210.43	48,000.00	1,930,735.00	2,114,945.43
BR-05	Replacement and Acquisition of Computer Equipment	Service Efficiency	564,982.13	4,402,054.18	468,928.55	5,064,412.87	10,500,377.73
BR-06	Replacement and Acquisition of Tools, Shop and Garage Equipment	Service Efficiency	423,105.25	458,830.18	177,553.58	129,756.33	1,189,245.34
BR-07	Replacement and Acquisition of Office Furniture and Equipment	Service Efficiency	425,434.11	168,104.01	180,307.22	131,775.39	905,620.73
BR-08	Refurbishment of Service Vehicle	Service Efficiency				426,900.00	426,900.00
BR-09	Replacement of Meter Reading Devices	Service Efficiency				625,680.00	625,680.00
BR-10	ICT Facilities Installation at New Main Office (PHILAM)	Service Efficiency	725,347.64	58,234.82			783,582.46
BR-11	Fiber Optic Cable (FOC) Link Installation at Kale and CBMU Substations	Service Efficiency		3,728,762.79			3,728,762.79
BR-12	Establishment of Offsite Backup and Recovery Site Infrastructure	Service Efficiency		2,176,696.43			2,176,696.43
BR-13	Acquisition of Network Performance Monitoring System	Service Efficiency			919,642.86		919,642.86
BR-14	Acquisition of Software Application and License	Service Efficiency	135,946.47		462,946.43		598,892.90
BR-15	Information System Development: Development of Fixed Asset Register (FAR) System	Service Efficiency			2,546.50	1,124,086.00	1,126,632.50
BR-16	Installation of Surveillance System at Mercurio Substation	Service Efficiency		88,816.44			88,816.44
BR-17	Fabrication of Enclosure for Storage and Safekeeping of Documents	Service Efficiency				108,000.00	108,000.00
BR-18	Installation of Base Radio at New Kale Substation	Service Efficiency		25,000.00	43,000.00		68,000.00
BR-19	Synergi Electric Power System Simulation Software License Acquisition	Service Efficiency				2,500,000.00	2,500,000.00
Grand Total			42,855,018.72	51,763,413.83	29,151,641.95	53,120,324.70	176,890,399.21

5. To support this Application, OEDC attached the following:

Annex	Document
A	Company Profile
B	Distribution Planning Process
C	Forecasting
D	Performance Assessment of the Distribution System
E	Summary of Identified Problems, Goal Setting and Prioritization
F	Summary of Proposed Capital Projects and Project Cost
G	Financing Plan
H	Rate Impact Simulation
I and sub markings	Details of the Projects including justification, technical analysis, cost analysis and other information

J and sub markings	Detailed Breakdown of the project cost of each project
K and sub markings	Computations on the technical analysis and economic analysis, historical and 10-year forecast and Gantt charts (soft copy only)

6. The total cost of these projects is 176,890,399.21 and since this is very substantial, OEDC has to secure long term loans from banks to finance project implementation.
7. Shown below is a simulation of the estimated rate impact of the proposed capital expenditure projects:

Computation of Impact to Rates	
Description	Total
Total Project Cost, Peso	176,890,399.21
Total Asset Base subject to Return	176,890,399.21
Return on Rate Base/WACC	12%
Annual Revenue Requirement, ARR	
1. Return on Capital	21,226,847.90
2. Depreciation	11,055,649.95
Total ARR	32,282,497.86
Energy Sales, kWh	191,690,744.00
Rate Impact, P/kWh	0.1684

#### Compliance of Pre-filing Requirements

8. Applicant manifests that it has complied with the pre-filing requirements in accordance with the Implementing Rules and Regulations of the EPIRA and Rule 6 of the Revised Rules of Rules of Practice and Procedure of the Energy Regulatory Commission. Below are the documents as proof of the compliance:

Annex	Document
L	Secretary's Certificate
M	Proof of Service of the Application and its annexes to the Mayor's Office of Olongapo City
N	Proof of Service of the Application and its annexes to the Sangguniang Panglungsod of Olongapo City
O	Affidavit of Publication by the Newspaper Editor
O-1	Page of the newspaper where the copy of the Application was published
O-2	Complete copy of the newspaper where copy of the Application was published

9. As stated above, due to the continuous growth in the demand of electricity, OEDC needs to implement these projects in order for the distribution system facilities to work efficiently and reliably and to provide better quality of customer services.

10. The construction of the above capital expenditure projects takes time and also require long lead time for the ordering of electrical and ICT equipment, materials and other electrical hardware as well as finding contractors who can implement the projects.

**PRAYER**

WHEREFORE, it is most respectfully prayed of this Honorable Commission that after due proceedings the implementation of the above capital expenditure projects be approved.

Other just and equitable relief are also prayed for.

Applicant likewise prays for such other and further relief as may be deemed just and equitable in the premises.

Finding the said *Application* to be sufficient in form with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements and expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof pursuant to Resolution No. 09, Series of 2020<sup>1</sup> dated 24 September 2020 and Resolution No. 01, Series of 2021, dated 17 December 2020 (ERC Revised Rules of Practice and Procedure)<sup>2</sup>:

<b>Date</b>	<b>Platform</b>	<b>Activity</b>
<b>21 October 2021</b> (Thursday) at nine o'clock in the morning (9:00 A.M.)	<b>Microsoft Teams</b>	Determination of compliance with the jurisdictional requirements and Expository Presentation
<b>28 October 2021</b> (Thursday) at nine o'clock in the morning (9:00 A.M)	<b>Microsoft Teams</b>	Pre-trial Conference and Presentation of Evidence

Accordingly, OEDC is hereby directed to host the virtual hearings at **OEDC's Principal Office at 1170 Rizal Avenue East Tapinac Olongapo City** as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, OEDC shall

---

<sup>1</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filing and Virtual Hearings Before the Energy Regulatory Commission.

<sup>2</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

**RELATIVE THERETO**, OEDC is hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual 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 Virtual Hearing* the Offices of the Provincial Governor, the Mayor, and the Local Government Unit (LGU) legislative body within OEDC's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within OEDC's franchise area, by any other means available and appropriate, of the filing of the *Application*, its reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual 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 and attend the scheduled hearing; and
- 5) Furnish with copies of the *Application* and its attachments all those making requests therefor, subject to the resolution of the prayer for confidential treatment of information, if any, and reimbursement of reasonable photocopying costs.<sup>3</sup>

Within five (5) calendar days prior to the date of the scheduled initial virtual hearing, OEDC must submit to the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), its written compliance to the aforementioned directives by attaching therewith, methodically arranged and duly marked, the following:

---

<sup>3</sup> For the e-mail address of the applicant, please see page 11.

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavit of the Editors or Business Managers of the newspapers where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of certifications issued to that effect, signed by the aforementioned Governor, Mayor and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by OEDC to inform the consumers within its franchise area of the filing of the *Application*, its reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the 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.

Moreover, OEDC is hereby required to post on its bulletin boards, the scanned copies of the jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Mayor, Provincial Governor and Local Legislative Body and to submit proof of its posting thereof.

OEDC and all interested parties are also required to submit to the Commission via e-mail at [docket@erc.ph](mailto:docket@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days before the date of the scheduled initial virtual 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 therefor, which should also be attached to the Pre-trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

OEDC must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission at least five (5) calendar days before the date of the scheduled initial virtual hearing and Pre-trial Conference pursuant to the preceding paragraph.

Failure of OEDC 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.

OEDC 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.

OEDC is hereby directed to file a copy of its Expository Presentation via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph), at least five (5) calendar days prior to the scheduled virtual hearing. OEDC shall also be required, upon the request of any stakeholder, to provide an advance copy of its expository presentation, at least five (5) calendar days prior to the scheduled virtual hearing.

Any interested stakeholder may submit its comments and/or clarifications at least one (1) calendar day prior to the scheduled virtual hearing, via e-mail at [doCKET@erc.ph](mailto:doCKET@erc.ph), copy furnish the Legal Service through [legal@erc.ph](mailto:legal@erc.ph). The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

OEDC is hereby directed to submit, either through personal service, registered or ordinary mail/private courier, one (1) set of the original or certified true hard/printed copy/ies of its Jurisdictional Compliance, Expository Presentation, Pre-trial Brief, and Judicial Affidavit/s of witness/es, within five (5) working days from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission. Similarly, all interested parties who filed their Petition for Intervention or Opposition are required to submit the hard/printed copy thereof within the same period through any of the available modes of service.

Finally, OEDC, including its authorized representative/s and witness/es, are hereby directed to provide the Commission, thru [legal.virtualhearings@erc.ph](mailto:legal.virtualhearings@erc.ph), with their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

**SO ORDERED.**

Pasig City, 03 September 2021.

FOR AND BY AUTHORITY  
OF THE COMMISSION:



**AGNES VST DEVANADERA**  
*Chairperson and CEO*

  
LS: SQD/LSP/MCCG

**ERC**

*Office of the Chairperson*



\*AVSTD-2021-09-510-0018\*

**ERC CASE NO. 2021-068 RC**  
**ORDER/ 03 SEPTEMBER 2021**  
**PAGE 11 OF 11**

---

Copy Furnished:

1. Atty. Analita E. Ocampo-Fallet  
*Counsel for OEDC*  
1170 Rizal Avenue East Tapinac,  
Olongapo City  
Email: aofallet@oedc.com.ph
2. Olongapo Electric Distribution Company Inc. (OEDC)  
*Applicant*  
1170 Rizal Avenue East Tapinac,  
Olongapo City
3. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village, Makati City  
docket@osg.gov.ph
4. Commission on Audit  
Commonwealth Avenue, Quezon City  
citizensdesk@coa.gov.ph
5. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City  
email@wingatchalian.com
6. House Committee on Energy  
Batasan Hills, Quezon City  
committees@house.gov.ph
7. Office of the Governor  
Province of Zambales
8. Office of the Sangguniang Panlalawigan  
Province of Zambales
9. Office of the City Mayor  
Olongapo City
10. Office of the City Council  
Olongapo City
11. Regulatory Operations Service  
Energy Regulatory Commission  
17<sup>th</sup> Floor, Pacific Center, San Miguel Avenue, Pasig City