

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



**IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF CAPITAL PROJECTS WITH
PRAYER FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2015-150 RC

**CABANATUAN ELECTRIC
CORPORATION (CELCOR),
Applicant.**

DOCKETED
Date: DEC 17 2015
By: [Signature]

X-----X

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on August 7, 2015, Cabanatuan Electric Corporation (CELCOR) filed an application for approval of its capital projects, with prayer for provisional authority.

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

1. CELCOR is a domestic corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Maharlika Highway, Barangay Bitas, Cabanatuan City, Nueva Ecija;
2. CELCOR is the authorized operator of the electric light and power service in the City of Cabanatuan, Province of Nueva Ecija;

COSTS OF THE PROPOSED CAPITAL PROJECTS

3. CELCOR plays a big part in Cabanatuan City's economic development by providing a steady and reliable electric supply to its industrial, commercial and residential

customers. It continuously improves its supply of electricity and increases the standard of living through the construction of adequate electric facilities to serve the city's requirements;

4. Pursuant to the requirements of the Philippine Distribution and Grid Code (PGDC), the system must be designed, planned and upgraded so as to withstand a disturbance at any given time due to unexpected loss or failures, in a manner that will not degrade or affect the network operation;
5. CELCOR seeks authority from the Commission to install, construct, operate and maintain its major electrical and non-electrical capital projects. The Commission defined "capital projects" as follows:

"Those projects that are needed to serve forecasted future loads and to maintain good electric service to existing and future customers satisfying the utility's technical criteria for capacity, reliability, quality and safety."

6. Capital projects are intended to maintain a reliable electric service for the benefit of the existing and future customers of the distribution utilities (DUs). To achieve it, the DUs must not only rely on their existing distribution assets. They are mandated to make timely additions thereto and introduce improvements thereon to be responsive to the demands of their customers;
7. Section 23, Chapter II of Republic Act 9136 (R.A. 9136), otherwise known as the "Electric Power Industry Reform Act of 2001" or "EPIRA", mandates a DU "to provide distribution services and connections to its system for any end-user within its franchise area consistent with the distribution code";
8. Section 1.7.1 of the Distribution Services and Open Access Rules (DSOAR), promulgated by the Commission pursuant to the provisions of the EPIRA, provides that:

"The DU may increase, substitute or withdraw from service its authorized equipment and machinery in accordance with the Rules for Approval of Regulated Entities' Capital Expenditure Projects, RDWR, and other rules of the Commission. If such undertaking is not covered by the RDWR or other rules, authorization shall be secured from the

Commission in accordance with the pertinent provision of the Rules for Approval of Regulated Entities' Capital Expenditure Projects.”

9. CELCOR filed the application seeking the approval of the Commission of the following capital projects:
 - a. Construction of new 69 kV Sub-transmission Line (N-1 Provision);
 - b. Relocation and rehabilitation of 69 kV and 13.8/0.23 kV lines and poles;
 - c. Installation of Cable Tray and Support (Primary line bridge attach); and
 - d. Restoration of its century old building into a new two-storey office building and construction of wing extension;

10. The total estimated cost of the project is One Hundred Fifteen Million Eight Hundred Seventy Thousand Eighty-Four and 89/100 Pesos (PhP115,870,084.89), broken down as follows:

| PROJECTS | Estimated Cost (PhP) |
|---|-----------------------------|
| Construction of new 69 kV Sub-transmission Line (N-1 Provision) | 40,689,711.30 |
| Land Acquisition and Development (Right of Way) | 12,000,000.00 |
| Sub-total | 52,689,711.30 |
| Relocation and Rehabilitation of 69 kV and 13.8/0.23 kV Lines and Poles | 28,065,312.43 |
| Installation of Cable Tray and Support (Primary line bridge attach) | 9,283,456.00 |
| Restoration of CELCOR's century old building into a new two-storey office building and construction of wing extension | 25,831,605.16 |
| TOTAL | 115,870,084.89 |

11. The proposed projects will be funded through its Retained Earnings (Appropriate for Plant Expansion) amounting to One Hundred Million Pesos (PhP100,000,000.00) and the remaining amount shall be taken from its Cash Working Capital;

DESCRIPTION OF THE 2015 PROJECTS

A. Construction of New 69 kV Sub-transmission Line (N-1 Provisions)

The proposed project line will traverse an estimated length of 10.6 kms from Bitas Substation passing through Emilio Vergara Highway up to the National Grid Corporation of the Philippines (NGCP) Nueva Ecija-Aurora Substation. The project provides CELCOR with N-1 capability in case of system contingency.

| | |
|------------------------------|---|
| PROJECT CODE | : TL-001 |
| PROJECT TYPE | : Reliability |
| PROJECT CODE | : First Priority |
| PROJECT CATEGORY | : Subtransmission Development |
| PROJECT DURATION | : 2015-2018 |
| PROJECT TYPE CLASSIFICATION: | New Assets |
| PROJECT FINANCING PLAN | : Retained Earning - Appropriated for Plant Expansion/Cash Working Capital |
| PROJECT COST | : PhP52,689,711.30 |

B. Relocation and Rehabilitation of 69 kV and 13.8/0.23 kV Lines and Poles

Based on the Memorandum of the Department of Public Works and Highways (DPWH), the main road of Maharlika Highway (from Sta. Rosa-Cabanatuan boundary up to Cabanatuan-Talavera boundary), will be widened from 16 mts to 20 mts, while secondary road, Cabanatuan-Papaya Road, will be widened to a standard 15 mts, thus, affecting CELCOR's existing poles located in the area. The improvement of drainage and installation of stone masonry along Nueva Ecija-Aurora road are also included. A total of 344 poles, specifically 67 sub-transmission poles and 277 primary and secondary poles are affected by it.

PROJECT CODE

| Location | Project ID |
|--|------------|
| Maharlika Highway, existing 69 kV Subtransmission lines | TL-002 |
| Mabini Extension to Mabini Homesite | PL-001 |
| Mayapyap to Caalibangbangan | PL-002 |
| Sangitan Este to Bitas | PL-003 |
| Daan Sarile | PL-004 |
| Valdefuente | PL-005 |
| NEUST to Select | PL-006 |
| Gen. Tinio Extension | PL-007 |
| Circumferential Road-Barrera | PL-008 |
| Circumferential Road-H. Concepcion | PL-009 |
| Lourdes to Bangad | PL-010 |

PROJECT TYPE : Contingency
 PROJECT RANK : First Priority
 PROJECT CATEGORY : Subtransmission/Primary
 Distribution Project
 PROJECT DURATION : 2015-2018
 PROJECT TYPE CLASSIFICATION : New Assets
 PROJECT FINANCING PLAN : Retained Earning -
 Appropriated for Plant
 Expansion/Cash Working
 Capital
 PROJECT COST : PhP28,065,312.43

C. Installation of Cable Tray and Support (Primary line bridge attach)

This project covers the laying of power cables at Cesar Vergara Bridge complementing the approved capital expenditure for RY 2014, extension of primary line from Gen. Tinio Avenue to Brgy. Cinco-Cinco. The hot dipped galvanized cable tray will be constructed at the edge of the bridge that will connect lines from Gen. Tinio Avenue-Cesar Vergara Bridge to the entry point of the line extension going to Brgy. Cinco-Cinco.

PROJECT CODE : TL-003
 PROJECT TYPE : Capacity
 PROJECT CODE : First Priority
 PROJECT CATEGORY : Primary Distribution Project
 PROJECT DURATION : 2015-2016
 PROJECT TYPE CLASSIFICATION: New Assets

PROJECT FINANCING PLAN : Retained Earning-
Appropriated for
Plant expansion/
Cash Working Capital
PROJECT COST : PhP9,283,456.00

D. Restoration of century-old building into a new two-storey office building and construction of wing extension

Presently, its employees are housed in a three-decade old building which was originally designed and used as a parking building of its service vehicles. It is currently being utilized to cater its valued clientele.

PROJECT CATEGORY : Non-network requirement
PROJECT DURATION : 2015-2016
PROJECT TYPE CLASSIFICATION: New Assets
PROJECT FINANCING PLAN : Retained Earning-
Appropriated for
Plant expansion/
Cash Working Capital
PROJECT COST : PhP25,831,605.16

JUSTIFICATION OF THE PROPOSED PROJECTS

The proposed capital projects of CELCOR aim to comply with the requirements under the existing ERC Rules and Procedure with respect to safety, reliability, capacity, quality and growth of the distribution system, as stated in CELCOR's Distribution Development Plan (DDP), particularly:

A. Construction of New 69 kV Sub-transmission Line (N-1 Provisions)

i. Project Purpose

The new 69 kV Sub-transmission Line will be utilized as a redundant asset serving as a reserved lines in case the other lines along Maharlika Highway undergoes maintenance, subjected to fault or sustains damage due to fortuitous events and other causes. As an asset reserved for future use-under the 10-year development program, a new substation will be proposed in the area covering the eastern side of the city consisting several barangays from Bangad, Camp Tinio, Kalikid, Patalac up to adjacent barangays of Cabu and Macatbong.

The area has a spark growth for subdivisions and has ideal locations for livestock production such as poultry and piggery business. It is also being developed as a location for medium-sized industrial processing businesses such as concrete aggregate business and medium-sized stone crusher complex. Its proposed project will be utilized to serve the future expansion plan in the event that the expected growth in the said area will materialize.

ii. Impact if Project Not Implemented

The existing 69 kV sub-transmission line is being fed on a single bus scheme. It is not flexible to provide continuous power in case of loss or failure. The only option is thru FCVC generating station connected through a step up transformer of 25 MVA capacity to the end of the 69 kV line at Bitas Substation. The normally open interconnections at 13.8 kV network level provide a partial N-1 capability between substations. However, the power plant has insufficient capacity to fully supply CELCOR's demand during contingency.

B. Relocation and Rehabilitation of 69 kV and 13.8/0.23 kV Lines and Poles

i. Project Purpose

The project is being implemented based on the guidelines issued by DPWH. CELCOR is thus constrained to undertake the relocation of its poles and lines to be affected by the road widening projects. However, simultaneously with its compliance with DPWH rules and regulations, the right of way clearances under existing laws, rules and regulations will be observed to minimize accidents as well as to ensure smooth flow of traffic in the area.

Based on the guidelines, a new design will be used since the area is now populated with commercial buildings. The design will address the clearance tolerance between structure and live lines, thus eliminating the exposure of live lines relative to the building structures.

Its 69 kV lines was constructed more than 18 years ago and consisted of creosoted wooden poles. The expected life service is estimated at 20 years based on the Valuation Hand book of the Commission. It could no longer use the old wooded creosoted poles for relocation and rehabilitation because it is already near the standard service life. By using the new steel and concrete poles will address the following: a) safety clearance between live lines and

structure; and b) the safe and reliable steel and concrete poles will support its lines.

ii. Impact if Project Not Implemented

The project should be undertaken simultaneously with the ongoing road widening projects of the DPWH since pole relocation causes interruption. If this will not be implemented, the future cost and reliability will be a factor. The correction of construction should comply with the required clearances between structures and power lines and has to be undertaken to ensure the safety and reliability.

C. Installation of Cable Tray and Support (Primary line bridge attach)

i. Project Purpose

In ERC Case No. 2009-043 RC dated March 8, 2010, the Commission approved the installation of the power cable underneath the Cesar Vergara Bridge (Project code BB-006 Extension of primary lines along Gen. Tinio Avenue to Cinco-Cinco under cash flow program for 2014). However, the project did not materialize due to several factors that were observed during the implementation. The hole provision for power cable is small. Thus, the factor of undue stress during the pulling procedure was considered due to the tight space for the cable. As the length of the pulled wire increases, the weight of the cable becomes heavier. Pulling the wire under the condition without any provision for space will result to cable tightening. Thus, the problem of undue stress will be a concern. It will compromise the insulation capability of the cable to insulate the live wires from the outer diameter of the power cable and worst condition scenario will be the breakage of the power cable during the pulling process.

In order to ensure the safe operation of the said cable, it proposes the use of cable trays in order to support the cable along the bridge. The condition where the cable will experience undue stress during the pulling procedure will be eliminated. Inspection and management program can be performed regularly because it will be installed at the edge of the bridge where access to the cable can be made without compromising the safety of personnel.

ii. Impact if Project Not Implemented

All possible options were considered for the project such as utilizing the existing manhole (designed for utility line) which was taken into consideration during the post construction period of the bridge, installation of overhead structure under the bridge which

requires acquisition of land and much taller poles in a flood prone area or overhead structure at the bridge girder which all proved to be non-viable, the only plausible engineering solution is to install the primary line at the edge of the bridge using a cable tray to link the RY 201 approved capital project from which it will extend a primary line along a 8 km Felipe Vergara Highway.

D. Restoration of century-old building into a new two-storey office building and construction of wing extension

i. Project Purpose

CELCOR is confronted with aging office facilities that are inadequate, even with significant renovation, to support its strategic plans and programs for the promotion of customer satisfaction. It proposes to restore its century-old building into a new two-storey office building and construction of wing extension.

This project will benefit the following: **the company** – The proposed modern building shall be the new face of the company, a reflection of innovative services and commitment to its customers; **the employees** – the new building for employees will provide a convenient, stimulating and dynamic working environment that will definitely enhance their efficiency. It will also boost their morale and improve their productivity in the workplace. Also, the proposed office building will improve the workflow within the office considering that at present, the various departments are scattered in different areas and some are even do not have enough space to accommodate its staff; **the valued customers/consumers** – the cutting-edge facilities of the building will create an impact to the consumers especially those who frequently visit the office. It shall give the clients a new customer service experience which promotes a much more guaranteed customer service satisfaction. The modern building will reduce safety risks to all concerned parties since the new structure will introduce modern safety features.

These valuable benefits to the whole company and its treasured customers are vital in enhancing its goodwill and improving its performance as a distribution utility.

12. Section 3.5 of the Commission's Resolution No. 26, Series of 2009, which provides that there are expenditure projects that may occur at any given period which may be resulting from unexpected significant new load that will be connected to the Distribution System. A Regulated Utility shall file a formal application prior to the start of implementation of such

project and shall be supported by documents similar to the usual requirements of network asset capital expenditures.

In support of the application and in compliance with the filing requirements of the Commission, CELCOR submitted, as Annex "B", the following documents:

- a. Options/Alternatives considered in lieu of the proposed projects;
- b. 5-year forecast and historical planning data;
- c. Technical Analysis;
- d. Economic Analysis;
- e. Conceptual Engineering Design and Drawings;
- f. Project Cost Estimates;
- g. Project Financing Plan;
- h. Proposed Gantt Chart Schedule;
- i. Board Resolution approving the proposed CAPEX; and
- j. Sworn Statements executed by Engr. Rommel Hernal attesting to the fact that CELCOR's application is consistent with its (DDP).

13. Public interest and welfare demand the immediate approval of the application;

ALLEGATION IN SUPPORT OF THE PRAYER FOR PROVISIONAL AUTHORITY

14. CELCOR replead all the allegations in support of the prayer for the immediate issuance of provisional authority to implement its additional capital expenditures for 2014.

The following are the estimated duration of the proposed capital projects:

| PROJECT NAME | DURATION OF THE PROJECT |
|---|--------------------------------|
| Construction of New 69 kV sub-transmission line | 7 months |
| Relocation and Rehabilitation of 69 kV and 13.8/0.23 kV lines and poles | 2 years and 7 months |
| Installation of Cable tray | 5 months and 3 weeks |
| Restoration of CELCOR's century old building into a new 2-storey office building and construction of wing extension | 1 year and 4 months |

15. As of to-date, CELCOR will need at least three and a half (3.5) years to complete the aforementioned capital projects. Thus, with the grant of a provisional authority, it would be able to immediately proceed with the project to meet its customer's requirements;

COMPLIANCE WITH THE PRE-FILING REQUIREMENTS

16. CELCOR has furnished the local legislative body of the City of Cabanatuan with copy of its application and its annexes. The copy of the Certification issued by the aforementioned legislative body attesting to the fact of service and its annexes is attached to the application and marked as Annexes "D";
17. CELCOR had also caused the publication of the application in a newspaper of general circulation in the Philippines. The copies of the Affidavit of Publication and the newspaper issue where the said application was published are attached to the application and marked as Annexes "E" and "F", respectively; and
18. CELCOR prays that the Commission:
 - a) Issue, immediately upon filing of the application, a provisional authority for the approval of the implementation of its capital expenditure projects;
 - b) Approve, after notice and hearing, the application and render judgment making provisional approval permanent; and
 - c) Include in the next regulatory period rate calculations and/or rate case application the aforementioned projects as a deferred amount.

The Commission has set the application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **January 21, 2016 (Thursday) at ten o'clock in the morning (10:00 A.M.) at CELCOR's Main Office, Maharlika Highway, Brgy. Bitas, Cabanatuan City, Nueva Ecija.**


All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules

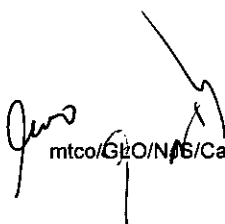
of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicant concludes the presentation of its evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicant that they be furnished with the same, prior to the date of the initial hearing. The applicant is hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Any such person may likewise examine the application and other pertinent records filed with the Commission during standard office hours.

WITNESS, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 26th day of November, 2015 at Pasig City.


ATTY. NATHAN J. MARASIGAN
Chief of Staff
Office of the Chairman and CEO


mtco/GLO/NIS/Capex/2015-150RC CELCOR.nph.doc