

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL AND
AUTHORITY TO IMPLEMENT
CAPITAL EXPENDITURE
PROJECTS FOR
REGULATORY YEARS 2024,
2025, 2026, 2027, 2028, 2029,
AND 2030**

ERC CASE NO. 2024-040 RC

**MACTAN ELECTRIC
COMPANY, INC.,**

Applicant.

Promulgated:

March 20, 2024

X-----X

ORDER

On 18 March 2024, Mactan Electric Company, Inc. (MECO) filed an *Application* dated 13 December 2023, seeking the Commission's approval and authority to implement its Capital Expenditure (CAPEX) Projects for Regulatory Years (RYs) 2024 to 2030.

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

1. MECO is a private corporation created and organized under the Philippine laws with principal office located at MECO Building, Sangi Road, Lapu-Lapu City 6015, Cebu, Philippines, and SEC Registration No. 31-388. By virtue of Republic Act (R.A.) No. 10890, MECO was granted franchise to operate the electric light and power distribution system and service in the City of Lapu-Lapu and in the Municipality of Cordova ("*franchise area*"). R.A. No. 10890 lapsed into law on July 17, 2016 and will expire on July 17, 2041, or twenty-five (25) years thereafter.
2. In compliance with the Energy Regulatory Commission (ERC) Resolution No. 17, Series of 2011 or the *Resolution Adopting the Investor-Owned Electric Distribution Planning Manual*, in relation to the relevant provisions of the *2021 Revised Rules for Setting Distribution Wheeling Rates for Privately Owned Electricity Distribution Utilities Operating under*

Performance Based Regulation (RDWR), and other relevant issuances, MECO respectfully submits for approval its proposed Capital Expenditure Projects (CAPEX Projects) for Regulatory Years (RY) 2024 to 2030, viz:

TYPE	RY	MECO'S PROPOSED PROJECTS FOR RY 2024 TO 2030 TITLE/DESCRIPTION	PROJECT COST (PHP)
SAFETY PROJECTS			
1	2024-2025	Refurbishment and upgrading of 2.94 circuit kilometers GIS Feeder 2 69kV Sub-Transmission Line from Mactan GIS to Muelle Osmena	20,072,496.28
2	2024-2027	Rehabilitation of Olango Island Primary and Secondary Distribution line	79,354,393.63
CAPACITY PROJECTS			
3	2024-2025	1-20 MVA Mobile Substation in Lopez Jaena	92,773,211.85
4	2025	1-20 MVA Mobile Substation in Portifino Mactan Newtown	95,208,264.78
5	2026-2027	2-20 MVA Mobile Substation inside Cebu Light Industrial Park (CLIP)	190,644,654.24
6	2027-2028	2-20 MVA Mobile Substation in Cordova	208,485,370.18
7	2027	Construction of New 69kV Sub-Transmission Line Looping from Mobile Substation in Cordova to J-Park Resort Maribago	89,420,260.33
8	2025	Construction of New 69kV Sub-Transmission Line from NGCP Substation going to Mactan	28,257,289.91
9	2024	Construction of an additional 10 spans of the Primary Distribution Line from Substation 3 to MEZ 2 (Feeder 1A)	1,222,155.78
10	2024	Construction of Feeder 17 I Cordova coming from mobile Substation 4 in Cordova to Gabi bridge	7,918,536.38
11	2024	Construction of New Distribution Feeder 10A from Mobile Substation 1 to Cebu Light Industrial Park (CLIP)	1,323,097.40
RELIABILITY PROJECT			
12	2024-2025	Primary Distribution Line Loop for Philippine Air Force Power Supply Redundancy	9,096,784.46
OTHER NETWORK PROJECTS			
13	2024-2030	Extension of Secondary Distribution Lines	7,303,570.66
14	2024-2030	Distribution Transformer CAPEX	162,419,768.00
NON-NETWORK PROJECTS			
15	2024-2027	Power Distribution Management System Project (PDMS):	80,000,000.00
16	2024	Operation and Maintenance Tools and Vehicles	4,923,270.00
17	2024	Computerized Accounting and Procurement and Inventory System	2,402,238.00
TOTAL			1,080,825,361.88

Fig.1 Summary of CAPEX Projects

- The proposed projects seek to address issues that affect safety, capacity, and reliability of the system. Thus, MECO's 2024-2030 CAPEX Program, as approved by its Board of Directors, include (1) refurbishment, rehabilitation and upgrading of GIS feeders and sub-transmission lines (STL) that have deteriorated as a result of wear and tear; (2) installation of new substations either as replacement for old ones, or as an additional requirement as a result of increasing demand; (3) construction of new power lines, or extension of existing ones, to improve and enhance the distribution system and its facilities; and (4) acquisition of additional distribution transformer for optimum efficiency. The justification for each project is outlined below:

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PROJECT TYPE	PROPOSED PROJECTS	RATIONALE
SAFETY PROJECTS		
1	Refurbishment and upgrading of 2.94 circuit kilometers GIS Feeder 2 69kV Sub-Transmission Line from Mactan GIS to Muelle Osmena	This project is intended to refurbish, rehabilitate, and upgrade the old GIS Feeder 2 Sub-Transmission line.
2	Rehabilitation and Refurbishment of Olango Island Primary and Secondary Distribution Line	This CAPEX project is primarily centered on rehabilitating the Distribution System on the Island of Olango. The key impetus for this initiative stems from the deteriorated condition of the majority of the Primary and Secondary poles, compounded by the aging state of the lines.
CAPACITY PROJECTS		
3	1-20 MVA Mobile Substation in Lopez Jaena	Installation of 1-20 MVA Mobile Substation in Lopez Jaena for the retirement of the 50-year-old unit 10 MVA substation of NGCP
4	1-20 MVA Mobile Substation in Portifino Mactan Newtown	Installation of 1-20 MVA Mobile Substation in Portifino Beach in Mactan Newtown for the ongoing mega development of Megaworld
5	2-20 MVA Mobile Substation in Cebu Light Industrial Park (CLIP)	Installation of 2-20 MVA Mobile Substation to address the additional and increasing power demand of Substation 4 inside Cebu Light Industrial Park (CLIP_Economic Zone) and other spot and its peripheral loads
6	2-20 MVA Mobile Substation in Cordova	Installation of a 2-20 MVA Mobile Substation as the initial supply for the 1500 hectares Reclamation project of Cordova
7	Construction of New 69kV Sub-Transmission Line Looping from Mobile Substation in Cordova to J-Park Resort Maribago	This project is an STL looping project that will connect the Sub-Transmission Line from two (2) separate Feeders.
8	Construction of New 69kV Sub-Transmission Line from NGCP Substation going to Mactan	This project is the construction of a new additional 69kV Sub-Transmission line that will be used to augment the existing sub-transmission line that will also be congested due to load growth in the Mactan and Punta Engaño area.
9	Construction of an additional 0.29 km or 10 spans of the Primary Distribution Line from Substation 3 to MEZ 2 (Feeder 1A)	This project is to transfer portion of load of Feeder 2 from Substation 3 to Mobile Substation No.1 to avoid overloading of the existing distribution Line.
10	Construction of Feeder 17 in Cordova from mobile Substation 4 in Cordova to Gabi bridge	Refurbishment, uprating and construction of new line to connect the existing line to be supplied by the Mobile substation 4 in Cordova for the unloading of the existing Primary distribution Feeder
11	Construction of New Distribution Feeder 10A from Mobile Substation 1 to Cebu Light Industrial Park (CLIP)	This project is to transfer portion of load of Cebu Light Industrial Park (CLIP) Feeder 10 from Substation 3 to Mobile Substation No.1 to avoid overloading of the existing distribution Line and to address the continuous increase of load from the economic zone.
RELIABILITY PROJECT		
12	Construction 1.84 km Primary Distribution Line Loop for Philippine Air Force Power Supply Redundancy	This is to construct a new primary distribution line loop to connect Feeder from Mobile Substation 2 in Mactan International Airport to Feeder 2 of Substation 3 in Basak for reliability and redundancy.
OTHER NETWORK PROJECTS		
13	Extension of Secondary Distribution Line	The capital expenditure (CAPEX) outlined encompasses the extension of secondary lines to address the load growth resulting from an influx of new residents in those specific areas. The decision for this expansion is rooted in the formal requests received, typically in the form of signed petitions or letters, from residents seeking the extension of secondary lines. It's noteworthy that a significant portion of these areas corresponds to relocation sites.
14	Distribution Transformer CAPEX	This proposal is aligned with the secondary expansion capital expenditure (CAPEX) plan, as the expansion initiatives may necessitate the incorporation of additional distribution transformers. The decision is informed by the outcomes of load monitoring activities, revealing a need for more units to upgrade overloaded transformers and ensure optimal functioning. This strategic coordination ensures that the distribution system is equipped to efficiently handle the growing demand and maintain reliable service.
NON-NETWORK PROJECTS		
15	Power Distribution Management System Project (PDMS)	The increase in field equipment and regulatory compliance makes it very difficult for operations to continue the manual system operation. This project is an integrated SCADA System through Fiber optics that is not limited to the substation but to all the field equipment. The PDMS is intended to improve system reliability, efficiency, and especially the dynamics in the field. This is also in compliance with Department Energy (DOE) Department Circular No. DC2020-02-0003 under the National Smart Grid Policy which is to modernize the electric grid infrastructure to effectively address the 21st century challenges of consumer empowerment, energy supply flexibility, and security of electric grid performance and asset utilization.
16	Operation and Maintenance Tools and Vehicles	Enhancing the mobility of personnel is imperative to ensure an agile and efficient response to customer concerns and complaints, ultimately aiming to provide unparalleled service to our expanding customer base. By optimizing the mobility of our workforce, we can proactively address customer needs, fostering a more responsive and customer-centric approach.
17	Computerized Accounting and Procurement and Inventory System	The implementation of a Computerized Accounting and Warehouse System not only increases the speed and accuracy of financial processes but also enhances overall organizational efficiency. It allows businesses to make more informed financial decisions by providing timely and reliable financial information. Additionally, the automation of routine tasks frees up time for accounting professionals to focus on more strategic and analytical aspects of financial management.

Fig. 2 Rationale/Justification

4. The aggregate cost of the entire project is PhP 1,080,825,361.88 and will be funded through MECO's internally generated funds.
5. The proposed projects were designed to generate optimum benefit to MECO's customers at the lowest rate impact. The table below shows the indicative rate impact schedule for the entire CAPEX program:

RATE IMPACT ANALYSIS	
RY 2024 to 2030	
Total Project Cost	1,080,825,362
Projected 7-year Sales (in kwh)	8,203,897,745
Projected Average Yearly Sales (in kwh)	1,171,985,392
Impact on Rate Base (per kwh)	
RY 2024	0.0134
RY 2025	0.0364
RY 2026	0.0226
RY 2027	0.0386
RY 2028	0.0084
RY 2029	0.0017
RY 2030	0.0009
Total Rate Impact for 7 years	0.1219
Average Rate Impact for 7 years	0.0174

Fig. 3 Rate Impact Analysis

6. Consistent with the technical specifications, as well as the performance and financial capability standards prescribed by the 2017 Philippine Distribution Code, and the mandate of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001 (EPIRA) to provide electricity in the least cost manner, the proposed CAPEX Projects are indispensable in the rehabilitation, enhancement, and expansion of MECO's distribution facilities.
7. Moreover, the CAPEX Projects are consistent with MECO's Distribution Development Plan (DDP), and are timely, economical and cost-efficient, appropriate, and necessary to ensure the quality, efficiency, reliability and safety of the power distribution system. The implementation of the CAPEX projects will ultimately benefit the customers of MECO in terms of uninterrupted, reliable, and efficient power supply.

IMPLEMENTATION PENDING APPROVAL

8. The timely completion of the projects is critical to achieve the objectives of the program, thus, MECO respectfully moves for authority to immediately implement the proposed projects pending the approval of the Commission.
9. In view of the arduous preparations and complex structural works involved, the immediate implementation of the of the (*sic*) projects will ensure MECO's timely compliance with its CAPEX program and enable it to meet its timeline.

TECHNICAL REQUIREMENTS

10. In support of MECO's application for approval of its CAPEX program and its immediate implementation, MECO hereby submits the following documents:

REF.	DESCRIPTION
I.	Certified copy of MECO's Certificate of Franchise
II.	Secretary's Certificate
III.	MECO Performance Report CAPEX for RY 2024-2030 which contains the following information: (1) brief history; (2) length of lines; (3) system map; (4) single line diagram; (5) list of existing substations;

	(6) total no. of customers connected and no. of connected customer per substation; (7) timelines; (8) historical data; (9) distribution planning procedure; (10) forecasting process; (11) performance assessment – safety, capacity, power quality, reliability, systems loss, and customer service efficiency; (12) summary of proposed capital projects; (13) financing plan; (14) financial statement with sensitivity analysis;
IV.	Distribution Development Plan
A	Substation Performance Data
B	Technical & Economical Evaluation
C	CAPEX Projects in ERC-prescribed template
D	Gantt Chart
E	Secondary Distribution Development Projects
F	CAPEX Project Cost per RY
G	Operation and Maintenance Tools and Vehicles
H	Computerized Accounting and Warehouse System
I	Cost Reference
J	Additional Data
MINOR CAPEX	Minor CAPEX Projects (Folders 1-41) – Residual
V.	Judicial Affidavit of Engr. Lawrence B. Melecio

11. All relevant documents for purposes of this application may be accessed at [One Drive](#).¹
12. This application will be substantiated, and its supporting documents authenticated, by the Engineering Department Head of MECO, Engr. Lawrence B. Melecio who executed his sworn testimony for the said purpose.

RELIEF

MECO prays that the Honorable Commission:

1. APPROVE its CAPEX Projects for Regulatory Years 2024, 2025, 2026, 2027, 2028, 2029, and 2030;
2. GRANT authority to immediately implement said projects subject to MECO's proposed timeline while this application is pending; and
3. GRANT other equitable relief.

Finding the said *Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates and online platform for

¹ <https://1drv.ms/f/s!ApyvP8UTPsa9gqUJaHrVxo9762RdGg>.

the conduct thereof, pursuant to Resolution No. 09, Series of 2020² and Resolution No. 01, Series of 2021³ (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
24 May 2024 (Friday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams Application	Determination of compliance with jurisdictional requirements and expository presentation
31 May 2024 (Friday) at two o'clock in the afternoon (2:00 P.M.)		Pre-Trial Conference and Presentation of Evidence

Accordingly, Applicant MECO is hereby directed to host the virtual hearings at **MECO's principal office located at MECO Building, Sangi Road, Lapu-Lapu City, Cebu**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, Applicant MECO shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

RELATIVE THERETO, Applicant MECO 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 virtual hearing;
- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the Mayors, and their respective Local Government Unit (LGU) legislative bodies within Applicant MECO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within Applicant MECO's franchise area, by any other means available and appropriate, of the

² A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

³ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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 at the scheduled hearings; and
- 5) Furnish with copies of the *Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

Within five (5) calendar days prior to the date of the initial virtual hearing, Applicant MECO must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, the scanned copies of its written compliance to the aforementioned jurisdictional requirements, attaching the following methodically arranged and duly marked documents:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavits of the Editor or Business Manager 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, Mayors and LGU legislative body or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of other means employed by Applicant MECO to inform the consumers within Applicant MECO's 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, except those subject of a motion for confidential treatment of information, if any, by all those making requests therefor; and
- 6) Such other proofs of compliance with the requirements of the Commission.

Moreover, Applicant MECO is hereby required to post on its bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by the concerned Office of the Governor, Mayors and Local Legislative Bodies, and to submit proof of posting thereof.

Applicant MECO and all interested parties are also required to submit to the Commission via e-mail at docket@erc.ph, and copy furnish the Legal Service through 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.

Applicant MECO 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 Applicant MECO to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings.

Applicant MECO 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*. Relevant information and pertinent details substantiating the reasons and justifications for the *Application* must be cited in support thereof.

Applicant MECO is hereby directed to file a copy of its Expository Presentation via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. MECO 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.

Applicant MECO is further directed to submit, either through personal service, registered mail or ordinary mail/private courier, one (1) set of the original or certified true hard copies of its Jurisdictional Compliance, Expository Presentation, Pre-Trial Brief, and Judicial Affidavits of witnesses, **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.

Finally, Applicant MECO, including its authorized representatives and witnesses, is hereby directed to provide the Commission, thru legal.virtualhearings@erc.ph, 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, 20 March 2024.

FOR AND BY AUTHORITY
OF THE COMMISSION:



MONALISA C. DIMALANTA
Chairperson and CEO

ERC

Office of the Chairperson and CEO



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ES: JSC/VMA/MVM/LSP

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