

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) 2021,
WITH PRAYER FOR
PROVISIONAL AUTHORITY,**

ERC CASE NO. 2020 - 028 RC

**MANILA ELECTRIC COMPANY
(MERALCO),**

Applicant.

X-----X

APPLICATION

Applicant **MANILA ELECTRIC COMPANY (MERALCO)**, by counsel, respectfully states that:

RECEIVED BY:

(Handwritten signature)

20 SEP 28 P 4:52

ERC
ENERGY REGULATORY COMMISSION
DOCUMENT RECORDS

nl/sun

1. Applicant MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address indicated herein.

2. Pursuant to Republic Act No. 9209, MERALCO has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Batangas, Laguna, Quezon and Pampanga.

3. MERALCO is part of the First Entry Group of private distribution utilities that entered Performance Based Regulation ("PBR").

4. Pending the regulatory reset for the Fifth Regulatory Period (1 July 2019 to 30 June 2023), MERALCO is filing the instant application for the approval of its Capital Expenditure (CAPEX) projects for implementation in Regulatory Year (RY) 2021 covering the

period from 1 July 2020 to 30 June 2021. This is pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise 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. Primarily, these CAPEX projects are necessary to avert the foreseen emergency situations and ensure the reliable operation of its distribution network and continuous distribution service and connection to meet the growing needs of its about 6.9 million customers.

A. BACKGROUND OF MERALCO'S RY 2021 CAPEX PROGRAM

5. MERALCO's RY 2021 CAPEX Program is geared towards providing reliable service to its customers by maintaining an adequate, safe, efficient, and viable distribution network, while providing the needed capacity to address the forecasted load growth within its franchise area. MERALCO's RY 2021 CAPEX Program is mainly driven by the following factors:

a. Adequate Infrastructure to Meet Growth in Peak Demand and Customer Connections

The distribution infrastructure must be sufficient to meet MERALCO's current and immediate requirements. MERALCO forecasts its customer base to expand to around 7.3 million and peak demand to grow to 7,801 MW by RY 2021. This increase in peak demand and customer count will require MERALCO to increase the capacity of the electric distribution system in order to continue accommodating customer connections, while maintaining the reliability and power quality of its distribution system. If no capacity augmentation project has been undertaken starting 1 July 2020, MERALCO would not be able to provide electric service to its existing and new customers.

b. Renewal/Refurbishment Projects to Ensure Sustained Network Efficiency, Reliability and Power Quality

Capital expenditures are required to maintain existing assets so as not to degrade its network performance and customer service performance in the current regulatory year. The immediate implementation of these projects is not just imperative to say the least, but more so, critical as the reliability of MERALCO's electric distribution system in providing safe, reliable and adequate electric service is at risk.

c. Automation/Innovation/Technology

Automation/technology projects will further allow MERALCO to enhance its distribution network, allowing it to respond more effectively to line and network outages which will reduce service interruptions of customers.

d. Compliance to statutory and regulatory requirements.

Several RY 2021 CAPEX projects are likewise proposed in order to comply with various law, rules and regulations, including, among other things, compliance with: (a) Distribution Services Open Access Rules (DSOAR) on MERALCO's provision of the extension of lines and facilities for socialized housing initiatives of both public and private developers; and (b) Wholesale Electricity Spot Market (WESM) metering requirements.

e. Support for Government PPP Initiatives / BBB Program

The National Government has identified the implementation of Build Build Build (BBB) programs and projects as a cornerstone strategy of the national development plan to accelerate the infrastructure development of the country and to sustain economic growth. MERALCO would thus need to relocate and replace existing facilities so as not to hamper the construction and development of these critical BBB projects.

A detailed discussion on MERALCO's considerations and justifications in forecasting its RY2021 CAPEX Program is attached hereto as **Annex "A"** and made an integral part hereof.

B. LIST OF CAPEX PROJECTS

6. Taking into consideration the factors above, MERALCO hereby proposes the following thirty (30) very urgent major CAPEX projects for RY 2021:

PROJECT CODE	PROJECT NAME	TOTAL (PhP)	ANNEX
MER-1	Development of ASEANA-1 115 kV-34.5 kV GIS Substation	486,836,651	"B-1"
MER-2	Development of Balagtas 115 kV-34.5 kV Substation	513,879,804	"B-2"
MER-3	Development of Real 115 kV-34.5 kV Substation	263,945,636	"B-3"
MER-4	Development of Sampaloc 115 kV-34.5 kV GIS Substation	428,065,094	"B-4"
MER-5	Development of Vermosa South 115 kV-34.5 kV Substation	481,794,120	"B-5"
MER-6	Expansion of Banawe 115 kV-34.5 kV GIS Substation (2nd Bank)	192,944,644	"B-6"
MER-7	Expansion of Cainta 115 kV-34.5 kV Substation (3rd Bank)	239,602,579	"B-7"

MER-8	Installation of 83 MVA Power Transformer at Silang Substation	250,622,952	"B-8"
MER-9	Development of Antipolo 230 kV-115 kV Delivery Point Substation - Phase 1	382,563,238	"B-9"
MER-10	Development of Sta. Rita 230 kV-13.8 kV Delivery Point Substation	238,913,784	"B-10"
MER-11	Construction of Araneta-Mandaluyong-SM Shangrila 115 kV Line	268,750,182	"B-11"
MER-12	Reliability Improvement of Malinta Substation	170,818,975	"B-12"
MER-13	Uprating Portions of Saog-Veinte Reales-Malinta 115 kV Line	88,272,730	"B-13"
MER-14	Uprating of FCIE-TMC 2 115 kV Line	161,318,804	"B-14"
MER-15	Installation of 69 kV Capacitor Bank at Alagao Switching Station	31,109,505	"B-15"
MER-16	Installation of 115 kV Capacitor Bank at Cainta Substation	32,424,166	"B-16"
MER-17	Installation of 115 kV Capacitor Bank at Canlubang Substation	32,424,166	"B-17"
MER-18	Installation of 115 kV Capacitor Bank at Duhat Substation	32,424,166	"B-18"
MER-19	Relocation of MERALCO's Electrical Facilities Affected by the Construction of the National Government's Public-Private Partnership (PPP) Projects	253,600,000	"B-19"
MER-20	ADMS Software Renewal and Hardware Refresh	419,959,860	"B-20"
MER-21	Isla Verde Microgrid Electrification Phase 2 Project	264,921,201	"B-21"
MER-22	Replacement of Power Transformer at Dolores Bank 1	77,332,898	"B-22"
MER-23	Replacement of Power Transformer at Sta. Maria Bank 1	58,610,897	"B-23"
MER-24	SCADA-DAS Master Station Software Refresh	95,173,669	"B-24"
MER-25	Profitability and Cost Management (PCM) Migration	87,555,081	"B-25"
MER-26	Replacement of Post-Production Equipment	242,504,636	"B-26"
MER-27	Implementation of DNS (Domain Management System) Security	34,384,000	"B-27"
MER-28	OT Network Segmentation	75,000,600	"B-28"
MER-29	Implementation of Identity and Access Management System	55,976,305	"B-29"
MER-30	Construction of New Rizal Sector Administration Building	93,000,000	"B-30"

Copies of the detailed project justifications of the major projects under MERALCO's RY2021 CAPEX program are attached hereto as **Annexes "B and Series"** and made integral parts hereof.

7. On the other hand, MERALCO's seventy-six (76) residual CAPEX projects, broken down by asset categories, are as follows:

PROJECT CODE	ASSET CATEGORY	TOTAL (PhP)	ANNEX
RES - 1A	Structures and Improvements (Distribution Purposes)	6,525,307	"C-1"
RES - 1C.1	Structures and Improvements (Distribution Purposes)	51,882,151	"C-2"
RES - 1C.2	Structures and Improvements (Distribution Purposes)	2,750,000	"C-3"
RES - 2B	Power transformers	153,305,110	"C-4"
RES - 3A.1	Switchgear	12,537,252	"C-5"
RES - 3A.2	Switchgear	1,160,749	"C-6"

RES - 3B	Switchgear	114,538,926	"C-7"
RES - 3C	Switchgear	18,206,000	"C-8"
RES - 4A.1	Protective equipment	2,152,934	"C-9"
RES - 4A.2	Protective equipment	1,313,837	"C-10"
RES - 4B	Protective equipment	86,197,314	"C-11"
RES - 5B	Metering & control equipment	43,911,804	"C-12"
RES - 6A	Communications equipment	82,298,833	"C-13"
RES - 6B	Communications equipment	103,874,928	"C-14"
RES - 7A.1	Other station equipment	616,449	"C-15"
RES - 7A.2	Other station equipment	5,370,990	"C-16"
RES - 7B	Other station equipment	59,904,205	"C-17"
RES - 8A.1	Poles, Towers and Fixtures - Distribution	213,090,689	"C-18"
RES - 8A.2	Poles, Towers and Fixtures - Distribution	964,606,451	"C-19"
RES - 8B	Poles, Towers and Fixtures - Distribution	1,553,244,913	"C-20"
RES - 9A.1	Overhead Conductors and Devices - Distribution	146,241,402	"C-21"
RES - 9A.2	Overhead Conductors and Devices - Distribution	439,007,176	"C-22"
RES - 9B	Overhead Conductors and Devices - Distribution	1,415,050,479	"C-23"
RES - 10B	Underground Conduits - Distribution	72,103,496	"C-24"
RES - 11A	Underground Conductors and Devices - Distribution	251,906,012	"C-25"
RES - 11B	Underground Conductors and Devices - Distribution	71,284,478	"C-26"
RES - 12A.1	Distribution Transformers	223,032,187	"C-27"
RES - 12A.2	Distribution Transformers	2,384,486,018	"C-28"
RES - 12B	Distribution Transformers	310,681,941	"C-29"
RES - 13B	Power Conditioning Equipment	158,467,953	"C-30"
RES - 14B	Meters, Metering Instruments & Metering Transformers - Distribution	5,687,465	"C-31"
RES - 15A.1	Information technology equipment (distribution)	3,476,558	"C-32"
RES - 15A.2	Information technology equipment (distribution)	40,504,250	"C-33"
RES - 15B.1	Information technology equipment (distribution)	88,344,687	"C-34"
RES - 15B.2	Information technology equipment (distribution)	10,893,662	"C-35"
RES - 16A	Street Lights and Signal Systems	50,038,877	"C-36"
RES - 16B	Street Lights and Signal Systems	325,360,070	"C-37"
RES - 17A	Structures and Improvements (non-network)	401,225,180	"C-38"
RES - 17B	Structures and Improvements (non-network)	183,150,480	"C-39"
RES - 17C	Structures and Improvements (non-network)	69,875,000	"C-40"
RES - 18B	Office Furniture and Equipment	21,248,733	"C-41"
RES - 19A	Transportation Equipment	106,175,000	"C-42"
RES - 19B	Transportation Equipment	344,315,000	"C-43"
RES - 20A	Tools, Shop and Garage Equipment	44,086,504	"C-44"
RES - 20B	Tools, Shop and Garage Equipment	121,123,974	"C-45"
RES - 21A	Laboratory Equipment	130,672,300	"C-46"
RES - 21B	Laboratory Equipment	68,831,300	"C-47"
RES - 22A.1	Information Systems Equipment (non-network)	180,654,045	"C-48"
RES - 22A.2	Information Systems Equipment (non-network)	50,992,000	"C-49"
RES - 22A.3	Information Systems Equipment (non-network)	150,000	"C-50"
RES - 22B	Information Systems Equipment (non-network)	356,124,054	"C-51"
RES - 22C	Information Systems Equipment (non-network)	23,042,986	"C-52"
RES - 23A	Communication Plant and Equipment	25,287,625	"C-53"
RES - 23B	Communication Plant and Equipment	52,616,850	"C-54"
RES - 23C	Communication Plant and Equipment	9,218,000	"C-55"
RES - 24A	Miscellaneous Equipment	36,111,256	"C-56"
RES - 24B	Miscellaneous Equipment	6,723,500	"C-57"
RES - 25C	Materials and Supplies (including spares)	15,643,048	"C-58"
RES - 26A	Overhead Conductors and Devices (Customer)	510,451,899	"C-59"

RES - 27A	Underground Conductors and Devices (Customer)	203,505,560	"C-60"
RES - 28A	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	852,494,127	"C-61"
RES - 28B	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	821,109,234	"C-62"
RES - 29A	Structures and Improvements (non-network)	45,364,000	"C-63"
RES - 29B	Structures and Improvements (non-network)	28,839,100	"C-64"
RES - 29C	Structures and Improvements (non-network)	97,597,920	"C-65"
RES - 30B	Office Furniture and Equipment	8,152,290	"C-66"
RES - 31A	Transportation Equipment	48,698,000	"C-67"
RES - 31B	Transportation Equipment	26,100,000	"C-68"
RES - 32A	Laboratory Equipment	12,786,000	"C-69"
RES - 32B	Laboratory Equipment	2,843,413	"C-70"
RES - 33A	Information Systems Equipment	15,418,783	"C-71"
RES - 33B	Information Systems Equipment	225,246,915	"C-72"
RES - 34A	Communication Plant and Equipment	12,094,500	"C-73"
RES - 34B	Communication Plant and Equipment	6,325,000	"C-74"
RES - 35A	Miscellaneous Equipment	1,059,700	"C-75"
RES - 35B	Miscellaneous Equipment	2,539,113	"C-76"

Copies of the project justifications of the residual projects under MERALCO's RY2021 CAPEX program are attached herewith as **Annexes "C-series"** and made integral parts hereof.

8. In light of the resulting benefits of MERALCO's RY 2021 CAPEX Program in the overall service to the electricity consumers, MERALCO respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time the CAPEX is put in service and considered used and useful, should be considered as a deferred amount to be included in the calculation of MERALCO's next regulatory reset rates.

9. The filing of the instant Application is without prejudice to the subsequent filing by MERALCO for any unforecasted or emergency CAPEX as the need therefor arises.

C. URGENT NEED FOR ISSUANCE OF A PROVISIONAL AUTHORITY

10. Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the distribution code.¹ It is emphasized that non-approval of the CAPEX projects for RY 2021 will severely hamper MERALCO's operations and severely affect its ability to deliver electric service to its customers. It is imperative for MERALCO to implement its very urgent RY2021 CAPEX projects starting 1 July 2020 for the expansion and rehabilitation of its network facilities through acquisition

¹ Republic Act. No. 9136, Section 23; EPIRA Implementing Rules and Regulations, Rule 7, Section 4.

of new assets in order to ensure continuous delivery of reliable service and comply with safety, performance and other statutory/regulatory requirements, while addressing the growing needs of its about 6.9 million customers.

11. Thus, pending final approval, there is an urgent need for a provisional authority to be issued in favor of MERALCO to allow it to immediately implement its proposed RY 2021 CAPEX program. In support of the prayer for the grant of a provisional authority, attached as **Annex "D"** is the Judicial Affidavit of Engr. Froilan J. Savet, Head of MERALCO's Network Planning and Design.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for Authority to implement MERALCO's proposed Capital Expenditure (CAPEX) Program for Regulatory Year (RY) 2021 be **APPROVED** and that the building block components associated with the CAPEX Program from the time the CAPEX is put in service and considered used and useful be considered as a deferred amount to be included in the calculation of MERALCO's next reset rates.

Pending hearing, it is likewise prayed that a provisional authority be immediately issued authorizing Applicant MERALCO to implement its RY 2021 CAPEX Program.

Applicant MERALCO prays for such other relief as are deemed just and equitable under the premises.

Pasig City, 25 August 2020.

MANILA ELECTRIC COMPANY
Applicant

By:



FRANCIS DINO S. ANTONIO

Roll of Attorneys No. 48145
PTR No. 6569170; 1/25/20; Pasig City
IBP No. 102771; 1/10/20; RSM
MCLE Compliance No. VI-0003791; 3 November 2017



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IBP No. 06460(LIFETIME); 01/16/07; QC
MCLE Compliance No. VII-0001116; 17 October 2019



ADRIAN REX C. DIMALANTA

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IBP No. 102774; 1/10/20; PPLM
MCLE Compliance No. VII-0001098; 17 October 2019



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IBP No. 102776; 1/10/20; RSM
MCLE Compliance No. VI-0007787; 6 April 2018



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IBP Lifetime No. 011798
MCLE Compliance No. VII-0001112; 17 October 2019

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Email Address: regaffairs@meralco.com.ph

Republic of the Philippines)
Pasig City) S.S.

VERIFICATION and CERTIFICATION OF NON-FORUM SHOPPING

I, **JOSE RONALD V. VALLES**, of legal age, married, and with office address at Manila Electric Company (MERALCO), 12th Floor, Lopez Building, MERALCO Center, Ortigas Avenue, Barangay Ugong, Pasig City, hereby state under oath that:

1. I am the First Vice-President and Head of the Regulatory Management Office of Manila Electric Company, and is authorized to represent it in this Application as per the attached Secretary's Certificate (**Annex "E"**);

2. I have caused the preparation of the instant Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records made available to me;

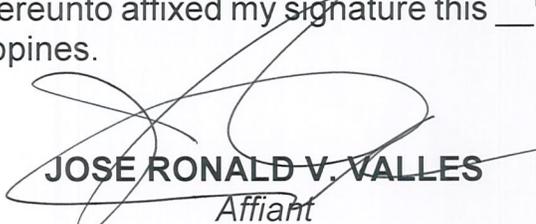
3. The Application is not filed to harass, cause unnecessary delay, or needlessly increase the cost of litigation;

4. The factual allegations therein have evidentiary support or, if specifically so identified, will likewise have evidentiary support after a reasonable opportunity for discovery;

5. I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and

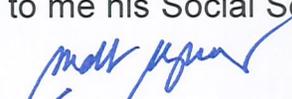
6. Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 25th ^{AUG 25 2020} day of August 2020 at Pasig City, Philippines.


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this 25th ^{AUG 25 2020} day of August 2020, at Pasig City, Philippines, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 381;
Page No. 78;
Book No. 10;
Series of 2020.


ATTY. MICHAEL DAVID B. AZUCENA
Pasig, San Juan, ~~Tuguegarao~~ and Pateros
Issued on February 18, 2019 at Pasig City
Appointment No. 101 (2019-2020)
Roll No. 58433/IBP No. 102752/1-9-20 Makati Chapter
PTR No. 6569125/1-25-20 Pasig City
MCLE VII-0001090/10-17-19
5th Floor Renaissance Tower 1000 Meralco Ave., Pasig City

DECLARATION

I, **JOSE RONALD V. VALLES**, hereby declare that this Application together with its Annexes, hereto submitted electronically in accordance with ERC Resolution No. 3, Series of 2020, are the complete and true copies of the documents to be filed with the Commission.

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end, positioned above the printed name.

JOSE RONALD V. VALLES
First Vice President and Head
Regulatory Management Office
Manila Electric Company

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)) S.S.

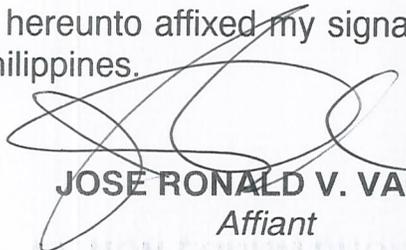
CERTIFICATION OF COMPLETENESS AND AUTHENTICITY OF DOCUMENTS

I, **JOSE RONALD V. VALLES**, First Vice President and Head, Regulatory Management Office of Manila Electric Company (MERALCO) and the authorized representative of MERALCO, a distribution utility duly registered with the Securities and Exchange Commission, with office address at 7th Floor, Lopez Building, MERALCO Center, Ortigas Avenue, Barangay Ugong, Pasig City, after having been duly sworn to in accordance with law, hereby depose, state and warrant that the following documents electronically submitted to the Energy Regulatory Commission for PRE-FILING PURPOSES, pursuant to its Resolution No. 07, series of 2020, are COMPLETE and AUTHENTIC COPY/IES of all the printed documents that will be filed with the Commission, namely:

1. Application with Verification and Certificate of Non-Forum Shopping
2. Annex A – Background of MERALCO's RY2021 CAPEX Application
3. Annex B and series - detailed project justifications of the major projects under MERALCO's RY2021 CAPEX program
4. Annex C and series - detailed project justifications of the residual projects under MERALCO's RY2021 CAPEX program
5. Annex D – Judicial Affidavit of Engr. Froilan J. Savet
6. Annex E – Secretary's Certificate

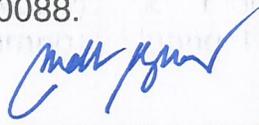
Finally, I hereby DECLARE and ASSUME full responsibility for any falsity or misrepresentation of any material fact in the contents of the abovementioned documents and of this Certification.

IN WITNESS WHEREOF, I have hereunto affixed my signature this ___th day of August 2020 at Pasig City, Philippines.


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this 25 day of August 2020, at Pasig City, Philippines, affiant having exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 382
Page No. 78
Book No. 10
Series of 2020.


ATTY. MICHAEL DAVID B. AZUCENA
Pasig, San Juan, ~~Tuguegarao~~ and Pateros
Issued on February 18, 2019 at Pasig City
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MCLE VII-0001090/10-17-19
5th Floor Renaissance Tower 1000 Meralco Ave., Pasig City



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX " E "

REPUBLIC OF THE PHILIPPINES)
PASIG CITY) S.S.

SECRETARY'S CERTIFICATE

I, WILLIAM S. PAMINTUAN, a duly elected, qualified and incumbent Assistant Corporate Secretary of the Manila Electric Company (MERALCO), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that:

At the organizational meeting of the Board of Directors of the Company duly convened and held on June 24, 2019, at which meeting a quorum was present, acted throughout and voted, the following resolution amending the resolution of the Board on February 26, 2019 on the same subject, was approved and that said amendatory resolution is in full force and effect on the date hereof:

"RESOLVED, that the Board of Directors of the Manila Electric Company (MERALCO) authorize, as it hereby authorizes, Messrs. MANUEL V. PANGILINAN, Chairman, RAY C. ESPINOSA, President and Chief Executive Officer, SIMEON KEN R. FERRER, Corporate Secretary, ROBERTO R. ALMAZORA, Senior Vice President, RONNIE L. APEROCHO, Senior Vice President & Head, Networks, WILLIAM S. PAMINTUAN, Senior Vice President, Assistant Corporate Secretary, Compliance Officer and Head, Legal and Corporate Governance, VICTOR EMMANUEL S. GENUINO, First Vice President and Head, Customer Retail Services and Corporate Communications, EDGARDO V. CARASIG, First Vice President & Head, Human Resources & Corporate Services, FERDINAND O. GELUZ, First Vice President & Head, Supply Chain and Logistics Management, JOSE RONALD V. VALLES, First Vice President and Head, Regulatory Management Office, MARIA ZARAH R. VILLANUEVA-CASTRO, Vice President & Head, Corporate Legal Services, RAUL G. CORALDE, Assistant Vice President & Head, Litigation Services, MICHELLE O. DELOS SANTOS-BONA, Assistant Vice President & Head, Legal Operations Support, CRISTOPHER B. ARPON, Legal Counsel & Head, Litigation Team 1, CORNELIO MANUEL III C. DICCION, Manager & Head, Litigation Team 2, EUGENE JUDE DENIS GERARD E. ALABANZA, Senior Manager & Head, Tax & Labor Litigation, and any lawyer or employee of MERALCO that any of them may designate, name or appoint:

- (1) to represent the Company, in the institution, prosecution, and defense of any claim, complaint, action, proceeding, petition, application, protest, suit, or case, for or against the Company, before any court, prosecutor's office, regulatory, quasi-judicial, or administrative body, agency, or office of the national or any local government;
- (2) to sign, execute, and deliver in connection therewith the necessary or appropriate complaint, petition, application, position paper, memorandum, all types of pleadings and motions, verifications, affidavit-complaint, counter-affidavit, affidavit of merit, affidavit of desistance, affidavit of witness, and all other affidavits of whatever nature, certificate of non-forum shopping, powers of attorney, certifications, and all other instruments as may be necessary or proper;

- (3) to represent the Company or to designate, name, and appoint a representative or an attorney-in-fact in behalf of the company during the investigation, inquest, preliminary investigation, preliminary conference, pre-trial, mediation, conciliation, arbitration, trial, execution, and all other stages of or incidents related to the case, proceeding or action; to negotiate, enter into, and agree to an amicable settlement, compromise agreement, plea bargaining, admissions or stipulations of fact or documents, simplification of issues, limitation on the number of witnesses, alternative modes of dispute resolution, withdrawal, dismissal or waiver of claim or action; and to perform and execute any and all actions or deeds as may aid in the prompt disposition of such cases, proceedings, or actions filed in behalf of or against the Company;

“RESOLVED, FURTHER, that any previous resolution of the Board of Directors on the same subject matter that is inconsistent herewith shall be deemed terminated, superseded and revoked.”

Pursuant to the above resolutions, it is hereby certified that MERALCO is authorized to file the Application, entitled “IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO IMPLEMENT THE PROPOSED CAPITAL EXPENDITURE PROGRAM FOR REGULATORY YEAR (RY) 2021, WITH PRAYER FOR PROVISIONAL AUTHORITY, Manila Electric Company (MERALCO), Applicant,” with the Energy Regulatory Commission (ERC), and that Jose Ronald V. Valles, First Vice President and Head of Regulatory Management Office, is an authorized representative and signatory of the Company with respect to the aforesaid Application.

WITNESS THE SIGNATURE of the undersigned as such officer of the Company and its corporate seal hereunto affixed on this 17th day of July 2020.


WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this 25th day of Aug. 2020, affiant exhibited to me his Taxpayer Identification Number (TIN) 146-473-562, issued by the Bureau of Internal Revenue (BIR) as his competent evidence of identity.

Doc. No. 25 ;
Page No. 6 ;
Book No. IV ;
Series of 2020.


ATTY. EDGAR M. VALLE
NOTARY PUBLIC
Pasig, Pateros, & San Juan
Issued on January 21, 2019 at Pasig City
Appointment No. 76 (2019-2020)
Bar No. 02413; IBP Lifetime No. 011798; RGM Chapt.
PTR No. 6569179; 1-25-20; Pasig City
7th Floor, 11th Bldg., Ortigas Ave., Pasig City

BACKGROUND OF MERALCO'S RY2021 CAPEX APPLICATION

I. INTRODUCTION

Manila Electric Company (MERALCO) is one (1) of three (3) private Distribution Utilities (DUs) that form part of the Group A entrants into Performance-Based Regulation (PBR).

In its Final Determination dated 6 June 2011 in ERC Case No. 2010-069 RC, the Energy Regulatory Commission (ERC) set out its final position on the price control arrangements that would apply to MERALCO for the Third Regulatory Period (3RP) covering the period from 1 July 2011 to 30 June 2015, including its approved Capital Expenditure (CAPEX) Program, for the said period.

The Fourth Regulatory Period (4RP) for the First Entry Group commenced on 1 July 2015 ended on 30 June 2019. While awaiting the regulatory reset process, MERALCO filed the following CAPEX applications:

- a. MERALCO filed an Application for the approval of its RY2016 CAPEX application on 9 February 2015, docketed as ERC Case No. 2015-016 RC. On 15 June 2016, MERALCO received a copy of the Decision dated 12 April 2016 which partially approved MERALCO's CAPEX program for RY2016.
- b. On 8 March 2016, MERALCO filed its application for the approval of its CAPEX program for RY2017, docketed as ERC Case No. 2016-017 RC. The ERC granted provisional authority for MERALCO to implement part of its RY2017 CAPEX Program in its Order dated 5 May 2016. MERALCO is awaiting the final approval of the ERC.
- c. On 3 April 2017, MERALCO filed its application for the approval of its CAPEX program for RY2018, docketed as ERC Case No. 2017-037 RC. MERALCO is awaiting the final approval of the ERC.
- d. On 30 April 2018, MERALCO filed its application for the approval of its CAPEX program for RY2019, docketed as ERC Case No. 2018-032 RC. MERALCO is awaiting the final approval of the ERC.

Pending the regulatory reset filing for the Fifth Regulatory Period (1 July 2019 to 30 June 2023), MERALCO filed its application for the approval of its very urgent CAPEX program for RY2020, docketed as ERC Case No. 2019-050 RC on 01 July 2020. The proceedings for this Application are on-going.

MERALCO is filing this application for the approval of its CAPEX projects for implementation in Regulatory Year (RY) 2021 covering the period 1 July 2020 to 30 June 2021. This is pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise 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. Primarily, MERALCO's RY 2021 CAPEX application include CAPEX projects to ensure the reliable operation of its distribution network and continuous distribution service and connection to meet the growing and future needs of its about 6.9 million customers.

This paper contains detailed discussions on MERALCO's forecast assumptions and proposals for its RY2021 CAPEX Program.

II. MERALCO'S FRANCHISE AREA

MERALCO is the largest DU in the Philippines and its franchise area is strategically located in the economic and political center of the nation. MERALCO's franchise area covers 9,685 km¹ and is home to approximately 27% of the Philippine population.²

As of December 2019, MERALCO served about 6.9 million customers distributed throughout a franchise area covering Metro Manila, Bulacan, Cavite and Rizal, and certain areas of Batangas, Laguna, Pampanga, and Quezon.

In Calendar Year (CY) 2019, MERALCO's energy sales accounted for 71% of Luzon's and 53% of the entire country.³ Roughly 68% of MERALCO's total energy sales in 2019 came from commercial and industrial customers.⁴

The customers within MERALCO's franchise area generate about 50% of Philippine Gross Domestic Product (GDP) and produce about 60% of the Philippines' manufacturing output.⁵

III. EMPOWERING THE PHILIPPINE GOVERNMENT'S "GOLDEN AGE OF INFRASTRUCTURE"

According to the Philippine Development Plan (2017-2022) released by the Philippine Investor Relations Office, the Duterte administration underlined the importance of infrastructure as a prime mover of a country's socioeconomic development. It stated that: "With a growing economy, the Philippines requires more and better selected infrastructure investments, given its archipelagic landscape, expanding population and rapid urbanization. To support a higher growth trajectory and improve the quality of life in both urban and rural communities, infrastructure development will remain among the top priorities of the government over the medium term. Spending on infrastructure has to be intensified while addressing persistent issues and challenges hampering implementation, so that the so-called "Golden Age of Infrastructure" will form part of a solid foundation for reaching the country's Long-Term Vision 2040."⁶

To support the said vision, the Duterte administration crafted the "Build, Build, Build" (BBB) program, which identified the projects that will be undertaken by the government to fill the country's huge infrastructure deficit. According to the government's web site, the BBB consists of a mixed bag of projects ranging from roads, bridges, railways and bus-rapid transits, to the Philippines's first subway. With around 70 projects to be constructed under the BBB program, Department of Energy (DOE) Secretary Alfonso Cusi has said that "trains won't run, rudders will not work without energy."⁷

Secretary Cusi also signed on 6 February 2020 DOE Circular DC2020-02-0003 entitled: "Providing A National Smart Grid Policy Framework for the Philippine Electric Power Industry and Roadmap for Distribution Utilities". The circular was published on 12 March 2020 and took effect on 27 March 2020.

¹ Source: Land Management Bureau data as of October 2016

² Source: MERALCO's Distribution Development Plan for 2019 to 2028.

³ Source: DOE Power Statistics 2019.

⁴ Meralco 2019 Annual Report

⁵ Meralco estimates from regional GDP weighted by electricity sales

⁶ www.iro.ph/article_doc/fc55bc53_PDP-2017-2022-Prepublication-2.pdf

⁷ <http://powerphilippines.com/2017/11/16/ph-energy-mix-enough-sustain-dutertes-golden-age-infrastructure/>

According to the Circular, the DOE envisions the transition of the Philippine Electric Power Industry to reach a level of Smart Grid (SG) development capable of the following:

- Self-healing grid;
- Full customer choice;
- Full implementation of Retail Competition and Open Access (RCOA);
- Renewable Portfolio Standards (RPS), Green Energy Option (GEOP), and Net Metering;
- Optimized Energy Storage Systems (ESSs), Energy Management Systems (EMSs), and Distributed Energy Resources (DERs) Management Systems;
- Virtual Power Plant integration;
- Islanding;
- Demand Response, Demand-Side and Peak Load Management; and,
- Smart Homes and Cities.

To realize this vision, the DOE prescribed a “National Smart Distribution Utility Roadmap” to guide DUs in evaluating their current levels of SG implementation and in formulating SG deployment plans for submission to the DOE and the ERC. DUs are encouraged to support SG initiatives to ensure supply security and reliability towards a strong economy and increased customer empowerment.

With this in mind, now more than ever, our nation’s economy depends on reliable energy. However, this major leap forward fueled by infrastructure cannot come to fruition without the necessary reliable energy infrastructure that will support all these. It is submitted that the electric grid is more than just generation, transmission and distribution infrastructure but rather an ecosystem where all stakeholders in the industry, private and public alike, play a significant role. Thus, it behooves upon everyone, including MERALCO, to conform to the call of the times, update the systems in place, and adopt to the technological climate as the existing energy infrastructure is being pushed to do more than it was originally designed to do.

IV. RESILIENCE AMIDST FORCE MAJEURE EVENTS

The geographic location of the Philippines makes it one of the most natural hazard-prone countries in the world. In fact, the social and economic cost of natural disasters in the country is increasing due to population growth, change in land-use patterns, migration, unplanned urbanization, environmental degradation and global climate change.

Recently, in fact, another form of force majeure event has besieged the Philippines in the form of disease/pandemic, i.e., the Novel Corona Virus 2019 (“Covid-19”) pandemic, which exposed the imminent need to upgrade and update MERALCO’s electric distribution facilities as well as its systems, programs, applications, and equipment that are used in providing safe, effective and efficient electric service to MERALCO’s customers. Amid the ongoing crisis, people and businesses alike have strived to keep faith and a sense of hope to keep going under “new normal” conditions. In the same vein, even during the pandemic, MERALCO committed to keep the lights on in order to ensure adequate distribution of power and enable business continuity during the government imposed lockdown.

V. FORECAST PARAMETERS FOR RY2021 CAPEX APPLICATION

For determining the forecast parameters discussed below, MERALCO already made a reassessment to consider the impact of the Covid-19 pandemic in making its CAPEX program for RY2021. These adjusted economic parameters thus formed the basis for MERALCO’s energy consumption, peak demand and customer count forecasts. It should

be noted that these updated forecasts were also used for MERALCO's Distribution Development Plan (DDP) 2020-2029.

A. Forecasts of Economic Parameters

Economic Indexes Forecasts

In MERALCO's Final Determination for the Third Regulatory Period, the ERC used the forecasts obtained from the Economist Intelligent Unit (EIU), noting that it is "important that forecasts are obtained from a reliable and independent macro-economic forecasting specialist".⁸

Following the foregoing, for its RY2016 to RY2021 CAPEX Applications, MERALCO utilized historical performance and data from the EIU, specifically, their EIU Country Forecasts and Country Reports.

MERALCO utilized April 2020 Report figures for FOREX and CPI as it was the latest available data at the time of the preparation of the project justifications and application.

Macroeconomic Variables

The actual and forecasted macroeconomic variables considered by MERALCO in coming up with its RY2021 CAPEX forecasts are shown below:

Table 1: Macroeconomic and Other Variables

Calendar Year	Philippine Population (million)	Phil Pop Growth Rate	MERALCO Population (million)	MERALCO Pop Growth Rate	GDP Growth Rate	Peso per US \$	CPIphil Inflation Rate	CPIus Inflation Rate
2008	89.4	0.8%	23.3	1.9%	4.2%	44.47	8.2%	3.8%
2009	91.0	1.8%	23.8	1.9%	1.1%	47.64	4.2%	-0.4%
2010	92.6	1.8%	24.2	1.9%	7.6%	45.11	3.8%	1.6%
2011	94.2	1.7%	24.8	2.1%	3.6%	43.31	4.7%	3.2%
2012	96.5	2.4%	25.3	2.1%	6.8%	42.23	3.1%	2.1%
2013	98.2	1.8%	25.8	2.2%	7.2%	42.45	2.6%	1.4%
2014	99.9	1.7%	26.4	2.2%	6.2%	44.40	3.6%	1.6%
2015	100.8	0.9%	27.0	2.2%	5.9%	45.50	0.7%	0.1%
2016	102.5	1.7%	27.6	2.3%	6.8%	47.49	1.3%	1.3%
2017	104.2	1.6%	28.4	2.9%	6.7%	50.40	2.9%	2.1%
2018	105.8	1.5%	29.1	2.4%	6.2%	52.66	5.2%	2.4%
2019	107.3	1.4%	29.7	2.4%	5.9%	51.80	2.5%	2.3%
2020	108.8	1.4%	30.5	2.4%	-0.1%	53.44	1.5%	1.8%
2021	110.2	1.3%	31.2	2.4%	3.7%	53.82	2.5%	1.9%

*2008-2019 GDP, Forex, and CPI figures are actual

Based on the updated forecasts, the PhP to USD exchange rate for RY2021 is expected to be PhP53.63. When MERALCO filed its RY2020 application, MERALCO used PhP54.51, expecting further currency depreciation as projected by EIU. However, the actual exchange rate for CY2019 averaged at PhP51.80.

Due to the increase in uncertainty in emerging markets arising from dampening effects of the coronavirus pandemic, there is an expectation of further currency depreciation with EIU projecting the CY2020 and CY2021 levels at PhP53.44 and PhP53.82, respectively. The April 2020 EIU report provides the following explanation for its forecast: "Although the peso has been resilient to the early days of the coronavirus outbreak, we expect a

⁸ MERALCO's Final Determination for the Third Regulatory Period, 6 June 2011, p. 21.

broad-based flight to safety among emerging-market investors that will see the Philippine currency weaken against the US dollar."

When MERALCO filed its RY2020 CAPEX Application, GDP was expected to grow at 5% for CY2019 and CY2020, based on the stable and long-run average growth of GDP for the past twenty-five years. Actual GDP growth was 5.9% for CY2019, supported by stable domestic demand and rising private and public sector investment. MERALCO adopted EIU's GDP growth projections of -0.1% and 3.7% for CY2020 and CY2021, based on the assumptions that: (1) private consumption, investments, exports and imports will decline in 2020; and (2) the economy will recover in 2021, but slower than pre-pandemic rates. Inputs from customer behavior during and the responses of businesses and corporate groups to the community quarantine were also considered.

B. Energy and Demand Forecasts

Energy Consumption Forecast

The ERC has consistently noted that the forecast methodology adopted by MERALCO conforms to international best practices.⁹

The energy consumption forecast for the RY2021 CAPEX forecasts was developed using an updated version of the econometric model that was utilized to generate the energy consumption forecast for the Second and Third Regulatory Periods as well as for the RY2016 to RY2020 CAPEX applications. The variables considered include the Real GDP, the price of electricity, customer count and potential reduction in energy consumption due to distributed energy sources and energy efficiency.

⁹ MERALCO's Final Determination for the Third Regulatory Period, 6 June 2011, p. 23.

The Table below shows the actual consumption from previous years until RY2020 as well as the updated energy consumption forecast for RY2021:

Table 2: RY Energy Consumption Forecasts**

RY	RY GWh Sales Forecast					% Growth
	Residential	Commercial	Industrial	Streetlights	Total Sales	
2008	8,582	10,237	7,500	138	26,456	3.4%
2009	8,698	10,592	7,303	140	26,732	1.0%
2010	9,329	11,340	8,279	142	29,090	8.8%
2011	9,380	11,715	8,567	143	29,806	2.5%
2012	9,701	12,332	9,565	133	31,731	6.5%
2013	9,993	12,896	10,074	130	33,093	4.3%
2014	10,204	13,338	10,369	129	34,040	2.9%
2015	10,503	13,880	10,612	131	35,125	3.2%
2016	12,000	15,209	11,138	133	38,481	9.6%
2017	12,599	15,937	11,466	134	40,136	4.3%
2018	13,436	16,819	12,221	136	42,611	6.2%
2019	13,980	17,635	12,925	139	44,679	4.9%
2020	15,549	16,660	12,297	139	44,645	-0.1%
2021	15,884	15,551	11,527	144	43,107	-3.4%

*2008-2020 figures are actual

** Does not include generator wheeling

In its RY2020 CAPEX filing, MERALCO forecasted sales to grow by 2.6%, as distributed energy resources and energy efficiency measures temper consumption that is expected to be driven by moderate economic growth and addition to the customer base.

However, as result of the COVID-19 pandemic, sales contracted by -0.1% as the latter months of RY2020 are within the implementation of the community quarantine. Likewise, RY2021 is expecting further contraction, of as much as 3.4%. The Philippine economy is expected to contract by 0.1% in 2020, according to the April 2020 country report of the Economist Intelligence Unit (EIU). It should be noted that the EIU's report was released before the ECQ was extended beyond May 15. For its part, the Development Budget Coordinating Council (DBCC) is projecting a contraction of the GDP of 2.0% to 3.4% this 2020.

Demand Forecasts

The maximum demand forecast model was developed using the Load Factor Approach described in the book, A Guide to Electricity Forecasting Methodology by Charles River Associates for the Edison Electric Institute (Washington, D.C. 1986.) This methodology takes into consideration projections of energy consumption, system losses, and the load factor to generate a demand forecast. Forecast demand is an important factor to consider in CAPEX forecasts as there is a need to ensure that the distribution network can meet such demand without jeopardizing the system.

The Table below provides MERALCO's actual peak demand for RYs 2008 to 2020 and forecast demand for RY 2021:

Table 3: MERALCO's Actual and Forecast Peak Demand

Regulatory Year	MERALCO Peak Demand (MW)	MERALCO Peak Growth Rate
2008	4,790	0.3%
2009	4,910	2.5%
2010	5,374	9.5%
2011	5,283	-1.7%
2012	5,633	6.6%
2013	5,928	5.2%
2014	6,121	3.3%
2015	6,298	2.9%
2016	6,748	7.1%
2017	6,973	3.3%
2018	7,399	6.1%
2019	7,740	4.6%
2020	7,614	-1.6%
2021	7,801	2.5%

**2008-2020 figures are actual*

In its previous filing, MERALCO forecasted peak demand to grow by 2.8% and 1.9% in RY2019 and RY2020, respectively. However, the peak demand for RY 2020 decreased by 1.6% due to significantly reduced demand especially from commercial and industrial end-users arising from the COVID-19 emergency.

For RY2021, MERALCO forecasts a peak demand growth of 2.5%. In the past few years, the growth of Luzon peak demand has been driven by areas outside the MERALCO franchise. This is expected to continue in the coming years.

Customer Count Forecasts

Customer count forecasts are crucial in forecasting capital expenditure as it is necessary that the distribution network must have sufficient resources to accommodate the increase in users of its system and facilities.

Customer count forecasts are modelled using projected population in the MERALCO franchise area, which is derived from the national population forecast of PSA.

MERALCO's actual customer count for RY2008 to 2019 and forecast for RY2020 to 2021 are shown below:

Table 4: MERALCO's Actual and Forecast Customer Count**

Year	End-RY Customer Count Forecast					Total Customers	% Growth
	Residential	Commercial	Industrial	Streetlights			
2008	4,100,946	397,886	10,100	4,059		4,512,991	2.0%
2009	4,208,454	406,657	9,977	4,114		4,629,202	2.6%
2010	4,348,044	416,660	9,842	4,174		4,778,720	3.2%
2011	4,491,205	426,556	9,680	4,255		4,931,696	3.2%
2012	4,662,429	436,732	9,662	4,376		5,113,199	3.7%
2013	4,822,611	445,951	9,581	4,376		5,282,519	3.3%
2014	5,002,942	457,152	9,662	4,405		5,474,161	3.6%
2015	5,199,126	467,920	9,754	4,444		5,681,244	3.8%
2016	5,414,138	479,041	9,904	4,507		5,907,590	4.0%
2017	5,665,959	491,641	10,078	4,600		6,172,278	4.5%
2018	5,946,044	505,071	10,284	4,708		6,466,107	4.8%
2019	6,208,199	518,880	10,479	4,755		6,742,313	4.3%
2020	6,449,207	534,317	10,587	4,716		6,998,826	3.8%
2021	6,691,330	549,823	10,649	4,768		7,256,568	3.7%

*2008-2019 figures are actual

** Does not include generator wheeling

MERALCO forecasts customer count to grow by 3.8% and 3.7% for RY2020 and RY2021 respectively, driven mainly by an expanding residential customer base.

VI. DETAILS OF MERALCO'S RY 2021 CAPITAL EXPENDITURE FORECASTS

MERALCO'S Proposed Capital Expenditure Projects for RY2021

MERALCO took into account the proposals made in the RY2016 to RY2020 CAPEX applications which served as the take-off points for some of the proposed projects proposed under the RY2021 CAPEX program. However, it should be noted that projects in RY2021 are over and above and do not overlap with any of the proposed projects in the RY2016 to RY2020 CAPEX applications.

MERALCO proposes the investment of Php20,696.68 Million (in real terms) in CAPEX for RY2021. This expenditure is necessary to meet the forecasted growth in peak demand and customer connections and to maintain the reliability, efficiency, and safety of the distribution system. Moreover, this forecasted CAPEX is essential for compliance with applicable regulatory obligations and other government requirements. In addition, MERALCO proposes innovation projects that are geared towards ensuring that MERALCO can address the changing demands of its customers for mobile and digital platforms in the delivery of service by MERALCO and to ensure resilience to natural disasters and pandemics.

While majority of these expenditures are directly related to the distribution network, there are also non-network CAPEX necessary to deliver enhanced customer service and to support the operation of the regulated distribution business in the light of changes in the industry amidst new regulations and unforeseen fortuitous events.

CAPEX Categories

MERALCO prepared its forecast capital expenditure, broken down into asset categories, with further identification of each major CAPEX project planned for RY2021. In addition, the CAPEX forecast was divided into sub-categories of load growth, asset renewal and asset refurbishment. Finally, as part of its revenue application, MERALCO prepared justifications for each major project and for residual projects by asset category and project type.

a. Major projects are those for which expenditure will exceed PhP30 million. MERALCO has separately identified 30 major projects and has provided the required information for each project. Major projects account for 29.3% of the total CAPEX forecast while residual projects account for 70.7%.

b. Load growth projects are those that are required to accommodate increased electricity demand or new connections. Growth-related projects account for 59.6% of the total CAPEX forecast.

c. Renewal projects are those that replace existing assets when it is no longer economically feasible to maintain the said assets, or when technological obsolescence forces the replacement of the same. They account for 39.0% of MERALCO's RY2021 CAPEX forecast.

d. Refurbishment projects are those that extend the serviceability of assets to beyond their standard lives and account for 1.4% of MERALCO's RY2021 CAPEX forecast.

MERALCO's CAPEX forecast was further segregated into three business segments, namely Regulated Distribution Services (DS), Distribution Connection Services (DC), and Regulated Retail Services (RRS).

Forecasting Method

MERALCO's capital expenditure forecasting methodology takes a "bottom up" approach, developing a program on the basis of projects that meet demand, customer connection requirements, reliability standards and regulatory requirements, taking into account asset condition.

The main components of the forecasting process include the following:

- a. Preparation and consideration of major inputs
- b. Assessment of current conditions and performances against requirements and expectations (gap analysis)
- c. Plans and program formulation to address deficiencies/needs identified in the gap analysis considering technical and financial viability
- d. Assessment of resource capability to ensure that projects are delivered in the required timeframes
- e. Iterative validation to prioritize proposed projects
- f. Finalize the CAPEX program

Key Drivers of CAPEX

The key drivers of CAPEX are summarized below:

- a. Peak Demand** - The main driver of network-related CAPEX is the forecasted growth in peak demand. MERALCO's peak demand is forecasted to grow at a rate of about 2.5% for RY2021.

b. Customer Connections - The increase in number of customer connections will have a direct impact on the expenditure requirements for connection and provision of services to these new customers. A growth of 3.7% in MERALCO's customer base is forecasted by the end of RY2021.

c. Network Reliability and Customer Service Quality - To maintain/enhance existing electric and customer service performance, especially for a larger customer base, sufficient capital expenditures are required.

d. Asset Age and Condition - The asset renewal or replacement program takes into consideration the economic life of the assets as well as the asset condition. Assets that are no longer capable of delivering their designed purpose or the maintenance of which exceeds replacement cost were programmed for replacement. In the case of Information and Communication Technology (ICT) assets, obsolete assets will be retired and replaced by newer technologies that will better address MERALCO's system requirements.

e. Regulatory and Statutory Requirements - There are a number of regulatory rules and government prescriptions that require capital expenditures to enable MERALCO to comply.

Irrespective of the primary driver of a particular project, the interconnectivity of the distribution network results in trickle-down benefits for the entire system. For example, the development of a new substation in response to demand growth will typically provide down-stream benefits for the system in terms of reliability, power quality and efficiency. Similarly, the provision of new assets prompted by asset renewal is likely to have benefits for efficiency, power quality and reliability while at the same time providing switching flexibility that enhances capability to cater to growth on the network. Essentially, then, customers are the ultimate beneficiaries of these investments.

Details of the Capital Expenditure Forecast

The following RY 2021 CAPEX forecast (in real terms) is required to meet the growth in demand and customer connections and to maintain the reliability, efficiency and safety of the distribution system.

**Table 5: RY 2021 CAPEX Forecast by Business Segment
(real, PhP millions)**

Regulated Distribution Services	
Network	14,937.62
Non-Network	2,595.93
Materials	0
<i>Sub-total</i>	17,533.55
Distribution Connection Services	
Network	713.96
Non-Network	0
<i>Sub-total</i>	713.96
Regulated Retail Services	
Network	1,673.60
Non-Network	775.57
<i>Sub-total</i>	2,449.17
Total	20,696.68

Growth-Related Expenditures for Adequate Infrastructure to Meet Customer Growth and Requirements

MERALCO's CAPEX program was also primarily driven by the need to prepare the distribution network for the forecasted increase in peak demand and load growth. Capital expenditures to support the growth in peak demand and customer connections amount to PhP10,568.73 Million (real).

This is largely based on MERALCO's latest forecast, which indicates a growth of 2.5% in terms of peak demand and 3.7% in terms of customer base for RY 2021.

The major projects that are classified as load growth projects, amounting to PhP 4,819.99 Million, are as follows:

MER-1	Development of ASEANA-1 115 kV-34.5 kV GIS Substation	486,836,651
MER-2	Development of Balagtas 115 kV-34.5 kV Substation	513,879,804
MER-3	Development of Real 115 kV-34.5 kV Substation	263,945,636
MER-4	Development of Sampaloc 115 kV-34.5 kV GIS Substation	428,065,094
MER-5	Development of Vermosa South 115 kV-34.5 kV Substation	481,794,120
MER-6	Expansion of Banawe 115 kV-34.5 kV GIS Substation (2nd Bank)	192,944,644
MER-7	Expansion of Cainta 115 kV-34.5 kV Substation (3rd Bank)	239,602,579
MER-8	Installation of 83 MVA Power Transformer at Silang Substation	250,622,952
MER-9	Development of Antipolo 230 kV-115 kV Delivery Point Substation - Phase 1	382,563,238
MER-10	Development of Sta. Rita 230 kV-13.8 kV Delivery Point Substation	238,913,784
MER-11	Construction of Araneta-Mandaluyong-SM Shangrila 115 kV Line	268,750,182
MER-12	Reliability Improvement of Malinta Substation	170,818,975
MER-13	Uprating Portions of Saog-Veinte Reales-Malinta 115 kV Line	88,272,730
MER-14	Uprating of FCIE-TMC 2 115 kV Line	161,318,804
MER-15	Installation of 69 kV Capacitor Bank at Alagao Switching Station	31,109,505
MER-16	Installation of 115 kV Capacitor Bank at Cainta Substation	32,424,166
MER-17	Installation of 115 kV Capacitor Bank at Canlubang Substation	32,424,166
MER-18	Installation of 115 kV Capacitor Bank at Duhat Substation	32,424,166
MER-21	Isla Verde Microgrid Electrification Phase 2 Project	264,921,201
MER-27	Implementation of DNS (Domain Management System) Security	34,384,000
MER-28	OT Network Segmentation	75,000,600
MER-29	Implementation of Identity and Access Management System	55,976,305
MER-30	Construction of New Rizal Sector Administration Building	93,000,000

The major components of growth-related CAPEX consist of:

Development of five (5) 115 kV-34.5 kV Substations	2,174.52M
Development of one (1) 230kV-115 kV and one (1) 230kV-13.8kV Delivery Point Substations	621.48M

Construction of one (1) and uprating of two (2) 115kV Subtransmission Lines	518.34M
Expansion of two (2) 115 kV-34.5 kV Distribution Substations	432.55M
Installation of one (1) 83MVA Power Transformer	250.62M
Reliability Improvement of one (1) Substation	170.82M
Installation of one (1) 69 kV and three (3) 115 kV Capacitor banks at various Substations and Switching Station	128.38M

A significant part of the residual growth-related projects involves the installation of meters and line facilities (line transformers, conductors and devices, poles and associated hardware and materials) for new customers as well as the accommodation of increases in demand of existing customers.

CAPEX Projects to Ensure Network Reliability and Customer Service Quality

The CAPEX projects under this category include the replacement of defective, ageing and obsolete assets. Major projects classified as asset renewal include:

MER-19	Relocation of MERALCO's Electrical Facilities Affected by the Construction of the National Government's Public-Private Partnership (PPP) Projects	253,600,000
MER-20	ADMS Software Renewal and Hardware Refresh	419,959,860
MER-22	Replacement of Power Transformer at Dolores Bank 1	77,332,898
MER-23	Replacement of Power Transformer at Sta. Maria Bank 1	58,610,897
MER-24	SCADA-DAS Master Station Software Refresh	95,173,669
MER-25	Profitability and Cost Management (PCM) Migration	87,555,081
MER-26	Replacement of Post-Production Equipment	242,504,636

A large part of the residual renewal and refurbishment projects are those involving the replacement of: a) defective and obsolete substation equipment; b) defective and hazardous line facilities (line transformers, conductors and devices, poles and associated hardware and materials); c) defective, stolen, and obsolete meters; d) streetlights; and, e) transportation equipment, tools, laboratory equipment, information systems equipment and other non-network assets supporting the regulated distribution business. The ERC-prescribed standard asset life and the condition of the assets are the major considerations in coming up with the replacement programs.

Most network-related renewal and refurbishment projects are required to maintain the reliability of electric service. The replacement of assets that are likely to fail because of their age and condition will ensure the safe and reliable operation of the distribution system. There are also residual projects amounting to PhP1,336.00 Million that are proposed to improve the reliability of the network.

Replacement of Information Systems Equipment and Communication Equipment

MERALCO will also be augmenting its Information System (IS), Communication and IT systems to sufficiently cover the front-end and back-end requirements of providing efficient and reliable electric service to its growing customer base. These systems will enable substantial enhancements to processes related to the planning, operation, and maintenance of the distribution network to be able to effectively handle growing demand, meet the stringent requirements of some sectors, and address regulatory requirements.

The RY2021 CAPEX Program includes proposals for the replacement of Information Systems Equipment and Communication Equipment Assets such as Routers, Switches,

Wireless Communications Equipment, Fiber Optic Cable Backbone, Teleprotection Equipment, and End User IT Equipment such as CAD (Computer Aided Design) stations, desktops and laptops, among others, previously purchased during the 3RP, amounting to PhP1,138.33 Million. This is part of MERALCO's replacement program to ensure the continuous efficient operation of its assets which support MERALCO's critical services and operations. These include, among other things, the processing of service applications, meter reading, billing, collection as well as the maintenance of an efficient distribution services operations such as the deployment of emergency crew operations, and dispatch to ensure the continuous provision of a safe, efficient, and reliable service to its customers:

Maintaining these assets after reaching their economic life is costlier due to the limited availability of parts in the market. In addition, this poses a higher risk of encountering disruption to the normal service operations due to failure of equipment, devices and applications that are used in the day to day operations of MERALCO in serving its customers.

Automation/ Technology/ Innovation Projects for the Provision of Improved Distribution Service – PhP1,387.45 M

The way we generate, distribute and consume electricity is changing due to rapid advancements in technology affecting the entire power system. Generation is becoming cleaner and more distributed while networks are becoming smarter and more active. Customers are beginning to benefit from an increasingly efficient and flexible system but are demanding more from their utilities. Modernizing the grid to make it "smarter" and more resilient through the use of cutting-edge technologies, equipment, and controls that communicate and work together to deliver electricity more reliably and efficiently can greatly reduce the frequency and duration of power outages, reduce storm impacts, and restore service faster when outages occur.

Distribution utilities like MERALCO respond to these challenges by deploying smart grid and other advanced technologies. Approved investments in smart substations, smart meters, Advanced Distribution Management System (ADMS), Distribution Automation and other emerging technologies are now being implemented and benefits are starting to be realized. Technology-driven bi-directional flows of energy and data will enable enhanced communications and control capabilities, and improved integration of distributed energy resources, including renewables. Smart grid technologies will also expand the infrastructure and charging capacity for future electric vehicles, and promote greater energy efficiency through the use of "smart" appliances and other energy-efficient consumer devices, and by identifying inefficiencies or losses in the network. This two-way, nearly real-time exchange of information will also enable enhancements in grid security, and will allow consumers greater access to their own energy usage information, enhancing their ability to engage directly in decisions about energy use and control options.

Automation/technology projects will further allow MERALCO to enhance its distribution network, allowing it to respond more effectively to line and network outages, thereby reducing service interruptions of customers.

MERALCO will now embark on projects that will be at the forefront of the changes needed to be implemented to address the emerging digital consumer, as these will enable MERALCO to meet its customers across various online channels with the correct information and within the customer's margin of expectations regarding timeliness. Moreover, due to emerging and increasing cyber security threats and how technology gravitated more towards the use of Internet and online transactions, MERALCO lined up Cyber Security projects that will address the needs for protecting the confidentiality,

integrity, and availability of MERALCO's information assets and the networks that deliver the information or service.

These projects, once implemented, will ensure protection of customers' personal data, highly secure MERALCO platforms, better visibility and protection from cyber-attacks, and high availability of MERALCO services.

MERALCO has also lined up proposed automation/technology projects to allow it to optimize and secure its management of its distribution network, allowing it to respond more appropriately to line and network outages and reduce service interruptions to customers. Further, these automation projects are geared to enhancing the delivery of service to MERALCO's customers. These include:

Installation of remote-controlled line reclosers, line capacitor and voltage regulator	421.41M
ADMS Software Renewal and Hardware Refresh	419.96M
Isla Verde Microgrid Electrification Phase 2 Project	264.92M
Various Technology projects	115.80M
OT Network Segmentation	75.00M
Implementation of Identity and Access Management System	55.98M
Implementation of DNS (Domain Management System) Security	34.38M

Compliance to Regulatory and Statutory Requirements and Support to Government Initiatives

There are several issuances and promulgations that MERALCO needs to comply with leading to the proposal of additional CAPEX projects for its RY2021 filing. Among these are:

- a. Compliance to DSOAR Amendments on line extensions for National Housing Authority/HLURB-certified housing project sites – PhP 407.25 M

Section 2.6.1 of ERC Resolution No. 2, Series of 2010, or the Distribution Services Open Access Rules (DSOAR), previously provided that if a prospective customer is beyond thirty (30) meters from the distribution utilities' existing secondary facilities and is not included in the forecast CAPEX of the Distribution Utility, the customer or developer may advance the amounts necessary to cover the expenditures on the connection assets beyond the standard connection facilities. Subsequently, the said provision was amended under ERC Resolution No. 3, Series of 2012. Under the amended provision (now Section 2.6.2), a prospective customer shall be entitled to non-standard connection at the expense of the Distribution Utility in cases of socialized housing projects, i.e., relocation/resettlement projects, of concerned agencies of the national and local governments undertaken by the government agency itself or through the developer. The site of the project must have been identified and certified for socialized housing by the National Housing Authority (NHA) or the Housing and Land Use Regulatory Board (HLURB) in accordance with Republic Act No. 7279, as amended, otherwise known as the Urban Development and Housing Act of 1992.

Prior to the passage of this amendment to the DSOAR, several NHA housing projects were originally scheduled for energization but were delayed because

the NHA developer deferred to payment of the cash advance to cover the extension of lines and facilities to their projects. There is therefore a need to provide for the extension of facilities for projects originally scheduled for 3RP.

In addition, there are several projects which have been identified as priority projects for RY2021 and beyond which must be energized in order to meet the government objectives of providing socializing housing to marginalized communities.

In light of the foregoing, MERALCO forecasts the need for additional CAPEX to cover the cost for the provision of extension of lines and facilities, including the necessary metering equipment.

1. Socialized Housing Projects – PhP21.52M

This covers the project cost for the extension of lines and facilities to private developers of socialized housing projects certified by the HLURB in accordance with Section 2.6.2 of the amended DSOAR.

2. Support for National Government priority projects – PhP 253.60M

The National Government has identified the implementation of Public-Private Partnership (PPP) programs and projects as a cornerstone strategy of the national development plan to accelerate the infrastructure development of the country and to sustain economic growth. These identified PPP programs and projects include the following:

- i. C5 South Link
- ii. NLEX Harbor Link
- iii. Skyway Stage 2

MERALCO would thus need to relocate existing facilities so as not to hamper the construction and development of these critical PPP projects.

b. Construction of connection and metering facilities for MERALCO Electrification Program – PhP 499.52 M

The electrification of unserved households that are beyond the serving distance of MERALCO's existing facilities, which were submitted to the Department of Energy (DOE) is crucial in enabling MERALCO to fulfill its mandate under R.A. 9136 (EPIRA) to provide universal service within the franchise area. This project is also aligned with DOE's Total Electrification Program (TEP), which "envisions 100% electrification by 2022."

c. Green Energy Initiatives. MERALCO understands that there is a need to support green and renewable energy initiatives to pave the way for a more environmentally-friendly future. Likewise, MERALCO supports the Renewable Energy Law and its laudable objectives. As such, MERALCO has proposed PhP11.51 M in CAPEX projects to support these initiatives such as those for the connection of Renewable Energy embedded generators.

d. Other projects also include the relocation of existing meters to Elevated Metering Centers, in compliance with the ERC *Rules on Elevated Metering Centers* – PhP603.89 M

Additional Information and Communications Technology (ICT) solutions to address resiliency and increasing demand growth – PhP 328.62 M

MERALCO included proposals for additional end user equipment, compute infrastructure such as storage, servers and application licenses to improve the resiliency and reliability of the services the company provides to its growing customer base. The additional ICT solutions are directly supporting the resiliency of various critical applications such as but not limited to the following: Advanced Distribution Management System (ADMS), Enterprise Asset Management (EAM) and Advanced Metering Infrastructure (AMI) among others. MERALCO also included proposals for the provision of telecommunication facilities for new buildings to provide connectivity to various company applications required by employees in their day to day work.

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

ANNEX " D "

IN THE MATTER OF THE
APPLICATION FOR AUTHORITY
TO IMPLEMENT THE
PROPOSED CAPITAL
EXPENDITURE PROGRAM FOR
REGULATORY YEAR (RY) 2021,
WITH PRAYER FOR
PROVISIONAL AUTHORITY,

ERC CASE NO. 2020 - ____ RC

MANILA ELECTRIC COMPANY
(MERALCO),

Applicant.

x-----x

JUDICIAL AFFIDAVIT
OF ENGR. FROILAN J. SAVET

I, **FROILAN J. SAVET**, Filipino, of legal age, married and with office address at 5th floor, Technical Services Building, Meralco Center, Ortigas Avenue, Pasig City, Philippines after being sworn to in accordance with law, fully conscious that I am answering the questions under oath and with knowledge that I may face criminal liability for false testimony and perjury, hereby depose and state THAT:

Q1: What are your professional and educational qualifications?

A1: I am a Professional Electrical Engineer, with PRC No. 0003687. I passed the March 2015 Technical Evaluation for the Upgrading as Professional Electrical Engineer. I also passed the April 1992 Board Examination for Assistant Electrical Engineer and was the 2nd placer of the said exam. Last November 2018, I was registered and conferred as ASEAN Chartered Professional Engineer.

My educational background is as follows:

- Master of Science in Electrical Engineering (Major in Power), U.P. Diliman, October 2003

- Bachelor of Science in Electrical Engineering, Mapua Institute of Technology (MIT), May 1990, Silver Medalist

Q2: Where are you presently employed?

A2: I am presently employed at MERALCO as Vice President and Head of Network Planning and Design (NPD) Office.

Q3: How long have you been employed by MERALCO?

A3: I have been employed by MERALCO for thirty (30) years. I started out as a System Planning Engineer and have gained experience in electric system planning, project management, substation standards, substation design and construction, and distribution connection.

Q4: What are your duties and responsibilities as Vice President and Head of MERALCO's NPD?

A4: The following are my principal duties and responsibilities:

- Conceptualization of plans for the timely expansion of MERALCO's sub-transmission lines, substation, and distribution lines;
- Setting of directions on the integration of electric system plans and the development of investment proposals;
- Preparation, review and approval of documents necessary to implement electric capital expenditure projects;
- Formulation of CAPEX plans, containing the long-, medium- and short-term electric capital projects; and
- Compliance to the reportorial requirements of regulatory bodies in relation to electric system expansion.

Q5: Are you familiar with the Application of MERALCO entitled: **"IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO IMPLEMENT THE PROPOSED CAPITAL EXPENDITURE PROGRAM FOR REGULATORY YEAR (RY) 2021, WITH PRAYER FOR PROVISIONAL AUTHORITY"**?

A5: Yes. I am familiar with said Application as I have participated in the preparation of the said Application as well as its supporting documents.

Q6: What is the Application all about?

A6: In brief, the Application seeks the Energy Regulatory Commission's (ERC) approval of its proposed Capital Expenditure (CAPEX) projects for Regulatory Year (RY) 2021.

Q7: Why is MERALCO filing the instant Application?

A7: Pending the regulatory reset for the Fifth Regulatory Period (1 July 2019 to 30 June 2023), MERALCO is filing the instant application for the approval of its CAPEX projects for implementation in Regulatory Year (RY) 2021 covering the period 1 July 2020 to 30 June 2021, pursuant to Section 20(b) of Commonwealth Act No. 146, as amended, otherwise 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. Primarily, these CAPEX projects are necessary to avert the foreseen emergency situations and ensure the reliable operation of its distribution network and continuous distribution service and connection to meet the growing needs of its about 6.9 million customers.

Q8: You also mentioned earlier that you have participated in the preparation of supporting documents to the Application. What are these supporting documents?

A8: These are:

a. **Annex “A”** of the Application or the document entitled, “Background of MERALCO’s RY2021 CAPEX Application” which provides detailed discussion on the various factors considered by MERALCO in coming up with its CAPEX Application for RY 2021.

b. **Annexes “B”** and series of the Application which contains the detailed justification of MERALCO’s major projects which are as follows:

List RY2021 Major CAPEX Projects

PROJECT CODE	PROJECT NAME	TOTAL (Php)	ANNEX
MER-1	Development of ASEANA-1 115 kV-34.5 kV GIS Substation	486,836,651	“B-1”
MER-2	Development of Balagtas 115 kV-34.5 kV Substation	513,879,804	“B-2”
MER-3	Development of Real 115 kV-34.5 kV Substation	263,945,636	“B-3”
MER-4	Development of Sampaloc 115 kV-34.5 kV GIS Substation	428,065,094	“B-4”
MER-5	Development of Vermosa South 115 kV-34.5 kV Substation	481,794,120	“B-5”
MER-6	Expansion of Banawe 115 kV-34.5 kV GIS Substation (2nd Bank)	192,944,644	“B-6”
MER-7	Expansion of Cainta 115 kV-34.5 kV Substation (3rd Bank)	239,602,579	“B-7”
MER-8	Installation of 83 MVA Power Transformer at Silang Substation	250,622,952	“B-8”

MER-9	Development of Antipolo 230 kV-115 kV Delivery Point Substation - Phase 1	382,563,238	"B-9"
MER-10	Development of Sta. Rita 230 kV-13.8 kV Delivery Point Substation	238,913,784	"B-10"
MER-11	Construction of Araneta-Mandaluyong-SM Shangrila 115 kV Line	268,750,182	"B-11"
MER-12	Reliability Improvement of Malinta Substation	170,818,975	"B-12"
MER-13	Uprating Portions of Saog-Veinte Reales-Malinta 115 kV Line	88,272,730	"B-13"
MER-14	Uprating of FCIE-TMC 2 115 kV Line	161,318,804	"B-14"
MER-15	Installation of 69 kV Capacitor Bank at Alagao Switching Station	31,109,505	"B-15"
MER-16	Installation of 115 kV Capacitor Bank at Cainta Substation	32,424,166	"B-16"
MER-17	Installation of 115 kV Capacitor Bank at Canlubang Substation	32,424,166	"B-17"
MER-18	Installation of 115 kV Capacitor Bank at Duhat Substation	32,424,166	"B-18"
MER-19	Relocation of MERALCO's Electrical Facilities Affected by the Construction of the National Government's Public-Private Partnership (PPP) Projects	253,600,000	"B-19"
MER-20	ADMS Software Renewal and Hardware Refresh	419,959,860	"B-20"
MER-21	Isla Verde Microgrid Electrification Phase 2 Project	264,921,201	"B-21"
MER-22	Replacement of Power Transformer at Dolores Bank 1	77,332,898	"B-22"
MER-23	Replacement of Power Transformer at Sta. Maria Bank 1	58,610,897	"B-23"
MER-24	SCADA-DAS Master Station Software Refresh	95,173,669	"B-24"
MER-25	Profitability and Cost Management (PCM) Migration	87,555,081	"B-25"
MER-26	Replacement of Post-Production Equipment	242,504,636	"B-26"
MER-27	Implementation of DNS (Domain Management System) Security	34,384,000	"B-27"
MER-28	OT Network Segmentation	75,000,600	"B-28"
MER-29	Implementation of Identity and Access Management System	55,976,305	"B-29"
MER-30	Construction of New Rizal Sector Administration Building	93,000,000	"B-30"

c. **Annexes "C"** and series of the Application which contains the detailed justification of MERALCO's residual projects which are as follows:

List of RY2021 Residual CAPEX Projects

PROJECT CODE	ASSET CATEGORY	TOTAL (PhP)	ANNEX
RES - 1A	Structures and Improvements (Distribution Purposes)	6,525,307	"C-1"
RES - 1C.1	Structures and Improvements (Distribution Purposes)	51,882,151	"C-2"
RES - 1C.2	Structures and Improvements (Distribution Purposes)	2,750,000	"C-3"
RES - 2B	Power transformers	153,305,110	"C-4"
RES - 3A.1	Switchgear	12,537,252	"C-5"
RES - 3A.2	Switchgear	1,160,749	"C-6"
RES - 3B	Switchgear	114,538,926	"C-7"
RES - 3C	Switchgear	18,206,000	"C-8"
RES - 4A.1	Protective equipment	2,152,934	"C-9"

RES - 4A.2	Protective equipment	1,313,837	"C-10"
RES - 4B	Protective equipment	86,197,314	"C-11"
RES - 5B	Metering & control equipment	43,911,804	"C-12"
RES - 6A	Communications equipment	82,298,833	"C-13"
RES - 6B	Communications equipment	103,874,928	"C-14"
RES - 7A.1	Other station equipment	616,449	"C-15"
RES - 7A.2	Other station equipment	5,370,990	"C-16"
RES - 7B	Other station equipment	59,904,205	"C-17"
RES - 8A.1	Poles, Towers and Fixtures - Distribution	213,090,689	"C-18"
RES - 8A.2	Poles, Towers and Fixtures - Distribution	964,606,451	"C-19"
RES - 8B	Poles, Towers and Fixtures - Distribution	1,553,244,913	"C-20"
RES - 9A.1	Overhead Conductors and Devices - Distribution	146,241,402	"C-21"
RES - 9A.2	Overhead Conductors and Devices - Distribution	439,007,176	"C-22"
RES - 9B	Overhead Conductors and Devices - Distribution	1,415,050,479	"C-23"
RES - 10B	Underground Conduits - Distribution	72,103,496	"C-24"
RES - 11A	Underground Conductors and Devices - Distribution	251,906,012	"C-25"
RES - 11B	Underground Conductors and Devices - Distribution	71,284,478	"C-26"
RES - 12A.1	Distribution Transformers	223,032,187	"C-27"
RES - 12A.2	Distribution Transformers	2,384,486,018	"C-28"
RES - 12B	Distribution Transformers	310,681,941	"C-29"
RES - 13B	Power Conditioning Equipment	158,467,953	"C-30"
RES - 14B	Meters, Metering Instruments & Metering Transformers - Distribution	5,687,465	"C-31"
RES - 15A.1	Information technology equipment (distribution)	3,476,558	"C-32"
RES - 15A.2	Information technology equipment (distribution)	40,504,250	"C-33"
RES - 15B.1	Information technology equipment (distribution)	88,344,687	"C-34"
RES - 15B.2	Information technology equipment (distribution)	10,893,662	"C-35"
RES - 16A	Street Lights and Signal Systems	50,038,877	"C-36"
RES - 16B	Street Lights and Signal Systems	325,360,070	"C-37"
RES - 17A	Structures and Improvements (non-network)	401,225,180	"C-38"
RES - 17B	Structures and Improvements (non-network)	183,150,480	"C-39"
RES - 17C	Structures and Improvements (non-network)	69,875,000	"C-40"
RES - 18B	Office Furniture and Equipment	21,248,733	"C-41"
RES - 19A	Transportation Equipment	106,175,000	"C-42"
RES - 19B	Transportation Equipment	344,315,000	"C-43"
RES - 20A	Tools, Shop and Garage Equipment	44,086,504	"C-44"
RES - 20B	Tools, Shop and Garage Equipment	121,123,974	"C-45"
RES - 21A	Laboratory Equipment	130,672,300	"C-46"
RES - 21B	Laboratory Equipment	68,831,300	"C-47"
RES - 22A.1	Information Systems Equipment (non-network)	180,654,045	"C-48"
RES - 22A.2	Information Systems Equipment (non-network)	50,992,000	"C-49"
RES - 22A.3	Information Systems Equipment (non-network)	150,000	"C-50"
RES - 22B	Information Systems Equipment (non-network)	356,124,054	"C-51"
RES - 22C	Information Systems Equipment (non-network)	23,042,986	"C-52"
RES - 23A	Communication Plant and Equipment	25,287,625	"C-53"
RES - 23B	Communication Plant and Equipment	52,616,850	"C-54"
RES - 23C	Communication Plant and Equipment	9,218,000	"C-55"
RES - 24A	Miscellaneous Equipment	36,111,256	"C-56"
RES - 24B	Miscellaneous Equipment	6,723,500	"C-57"
RES - 25C	Materials and Supplies (including spares)	15,643,048	"C-58"
RES - 26A	Overhead Conductors and Devices (Customer)	510,451,899	"C-59"
RES - 27A	Underground Conductors and Devices (Customer)	203,505,560	"C-60"

RES - 28A	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	852,494,127	"C-61"
RES - 28B	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	821,109,234	"C-62"
RES - 29A	Structures and Improvements (non-network)	45,364,000	"C-63"
RES - 29B	Structures and Improvements (non-network)	28,839,100	"C-64"
RES - 29C	Structures and Improvements (non-network)	97,597,920	"C-65"
RES - 30B	Office Furniture and Equipment	8,152,290	"C-66"
RES - 31A	Transportation Equipment	48,698,000	"C-67"
RES - 31B	Transportation Equipment	26,100,000	"C-68"
RES - 32A	Laboratory Equipment	12,786,000	"C-69"
RES - 32B	Laboratory Equipment	2,843,413	"C-70"
RES - 33A	Information Systems Equipment	15,418,783	"C-71"
RES - 33B	Information Systems Equipment	225,246,915	"C-72"
RES - 34A	Communication Plant and Equipment	12,094,500	"C-73"
RES - 34B	Communication Plant and Equipment	6,325,000	"C-74"
RES - 35A	Miscellaneous Equipment	1,059,700	"C-75"
RES - 35B	Miscellaneous Equipment	2,539,113	"C-76"

(The witness showed and identified the original copies of the above-mentioned documents to the counsel.)

Q9: What were MERALCO's considerations in filing the RY2021 CAPEX Program?

A9: MERALCO's RY2021 CAPEX Program is geared towards providing reliable service to its customers by maintaining an adequate, safe, efficient, and viable distribution network, while providing the needed capacity to address the forecasted load growth within its franchise area. MERALCO's RY 2021 CAPEX Program is mainly driven by the following factors:

a. Adequate Infrastructure to Meet Growth in Peak Demand and Customer Connections

The distribution infrastructure must be sufficient to meet MERALCO's current and immediate requirements. MERALCO forecasts its customer base to expand to 7.3 million and peak demand to grow to 7,801 MW by RY 2021. This increase in peak demand and customer count will require MERALCO to increase the capacity of the electric distribution system in order to continue accommodating customer connections, while maintaining the reliability and power quality of its distribution system. If no capacity augmentation project has been undertaken starting 1 July 2020, MERALCO would not be able to provide electric service to its existing and new customers.

b. Renewal/Refurbishment Projects to Ensure Sustained Network Efficiency, Reliability and Power Quality

Capital expenditures are required to maintain existing assets so as not to degrade its network performance and customer service performance in the current regulatory year. The immediate implementation of these projects is not just imperative to say the least, but more so, critical as the reliability of MERALCO's electric distribution system in providing safe, reliable and adequate electric service is at risk.

c. Automation/Innovation/Technology

Automation/technology projects will further allow MERALCO to enhance its distribution network, allowing it to respond more effectively to line and network outages which will reduce service interruptions of customers

d. Compliance to statutory and regulatory requirements.

Included in its very urgent RY 2021 CAPEX program are projects to comply with a number of regulatory requirements and government prescriptions, which includes: (a) Distribution Services Open Access Rules (DSOAR) on MERALCO's provision of the extension of lines and facilities for socialized housing initiatives of both public and private developers; and (b) Wholesale Electricity Spot Market metering requirements.

e. Support for Government PPP Initiatives / BBB Program

The National Government has identified the implementation of Build, Build, Build (BBB) programs and projects as a cornerstone strategy of the national development plan to accelerate the infrastructure development of the country and to sustain economic growth. MERALCO would thus need to relocate and replace existing facilities so as not to hamper the construction and development of these critical BBB projects.

A detailed discussion on MERALCO's considerations in forecasting its RY2021 CAPEX Program is attached as **Annex "A"** of the Application.

Q10: What will be the impact of MERALCO's proposed CAPEX Program on its current rates?

A10: The CAPEX Program has no immediate impact on MERALCO's rates. However, in light of the resulting benefits of MERALCO's RY 2021 CAPEX Program in the overall service to the electricity consumers, MERALCO respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time the CAPEX is put in service and considered used and useful, should be considered

as a deferred amount to be included in the calculation of MERALCO's next regulatory reset rates.

The filing of the instant Application should be without prejudice to the subsequent filing by MERALCO for any unforecasted or emergency CAPEX as the need therefor arises.

Q11: Why is MERALCO requesting for the issuance of a Provisional Authority for this Project?

A11: Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the distribution code.¹ It is emphasized that non-approval of the CAPEX projects for RY 2021 will severely hamper MERALCO's operations and severely affect its ability to deliver electric service to its customers. It is imperative for MERALCO to implement its RY2021 CAPEX projects starting 1 July 2020 for the expansion and rehabilitation of its network facilities through acquisition of new assets in order to ensure continuous delivery of reliable service and comply with safety, performance and other statutory/regulatory requirements, while addressing the growing needs of its about 6.9 million customers.

Thus, pending final approval, there is an urgent need for a provisional authority for MERALCO to immediately implement its proposed RY 2021 CAPEX program.

Q12: Can you tell us why you are executing this Judicial Affidavit?

A12: I am executing this Judicial Affidavit to attest to the truthfulness and veracity of the foregoing statements and in support of MERALCO's Application.

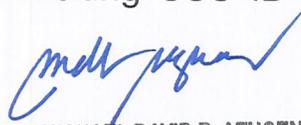
¹ Republic Act. No. 9136, Section 23; EPIRA Implementing Rules and Regulations, Rule 7, Section 4.

IN WITNESS WHEREOF, I have hereunto affixed my signature this
AUG 25 2020 day of August 2020 at Pasig City, Philippines.


FROILAN J. SAVET
Affiant

SUBSCRIBED AND SWORN to before me this 25th day of
August 2020 by Engr. Froilan J. Savet exhibiting SSS ID with No.
3309022139.

Doc. No. 387 ;
Page No. 79 ;
Book No. IV ;
Series of 2020.


ATTY. MICHAEL DAVID B. AZUCENA
Pasig, San Juan, ~~Alat~~ and Pateros
Issued on February 18, 2019 at Pasig City
Appointment No. 101 (2019-2020)
Roll No. 58433/IBP No. 102752/1-9-20 Makati Chapter
PTR No. 6569125/1-25-20 Pasig City
MCLE VII-0001090/10-17-19
5th Floor Renaissance Tower 1000 Meralco Ave., Pasig C#

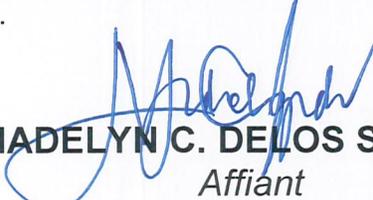
Republic of the Philippines)
City of Pasig)S.S.

ATTESTATION

I, **MADELYN C. DELOS SANTOS**, of legal age, Filipino, with business address 7th floor, Lopez Building Meralco Center, Ortigas Avenue, Pasig City after being duly sworn depose and say:

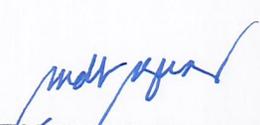
1. I conducted the direct examination of **FROILAN J. SAVET**, the witness to testify on matters in support of the Application entitled **"IN THE MATTER OF THE APPLICATION FOR AUTHORITY TO IMPLEMENT THE PROPOSED CAPITAL EXPENDITURE PROGRAM FOR REGULATORY YEAR (RY) 2021, WITH PRAYER FOR PROVISIONAL AUTHORITY"** at the afore-mentioned business address;
2. I have faithfully recorded the questions asked and the corresponding answers that were given by the witness; and
3. Neither I nor any other person then present or assisting her coached the witness regarding her answers.

IN WITNESS WHEREOF, I have hereunto set my hand this AUG 25 2020 day of August 2020 at Pasig City.


MADELYN C. DELOS SANTOS
Affiant

SUBSCRIBED AND SWORN to before me this AUG 25 2020th day of August 2020 by Atty. Madelyn C. Delos Santos who exhibited her Philippine Passport with No. P6727344A as her competent proof of identity.

Doc. No. 388 ;
Page No. 79 ;
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COVID-19

TALLY OF PHL CASES

AS OF SEPTEMBER 22

CASES NEW TOTAL

CONFIRMED	1,635	291,789
DEATHS	50	5,049
RECOVERIES	450	230,643

ACTIVE CASES

56,097



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THE PHILIPPINE STAR
TRUTH SHALL PREVAIL



President Duterte talks to the people during his weekly address at the Arcadia Active Lifestyle Center in Davao City the other night.

‘Outside interference acceptable at times’

By PIA LEE-BRAGO

Outside interference in internal affairs of a state deemed to be committing wrongs that “exceed the bounds of humanity” is acceptable, the country’s top diplomat said yesterday.

“Much as states dislike outside interference in their internal affairs, when their actions exceed the bounds of plain humanity, interference is a duty of humanity,” Foreign Affairs Secretary Teodoro Locsin Jr. said in a video message for the 75th anniversary of the United Nations.

“But a clear case has to be made in a world where lying has achieved a level of perfection far exceeding the capacity for truth,” Locsin said.

He said the Philippines has renewed its “commitment to end the scourge of war, uphold justice”
Turn to Page 4

We need you: Rody urges health workers to stay in Phl

By ALEXIS ROMERO

Despite relaxing the deployment ban on healthcare professionals, President Duterte is hopeful that Filipino health workers will stay and help in the fight against the COVID-19 pandemic.

Duterte has allowed nurses and other health workers with complete travel documents and employment contracts as of Aug. 31 to leave the country to work abroad.

His decision eased the deployment ban, which originally allowed only those with travel documents and contracts on or before March 8, 2020 to seek work opportunities in other countries.

“But you know, this is not really to offend those health workers of ours, doctors, nurses who want to go abroad to earn good money... I do not have anything against you, but I hope others will have the... spirit and the fervor to serve the Filipino people because we also need help and we have a crisis also to deal with,” Duterte said in a televised

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Rody hopes speakership rivals honor agreement

By CHRISTINA MENDEZ and EDU PUNAY

If President Duterte could have his way, he would like Speaker Alan Peter Cayetano and Marinduque Rep. Lord Allan Velasco to respect their term-sharing agreement forged last year, to ensure a smooth transition of leadership in the House of Representatives.

Presidential spokesman Harry Roque Jr. said the renewed infighting in the House leadership was among the topics discussed during the President’s meeting with the Cabinet and the Inter-Agency Task Force for the Management of Emerging Infectious Diseases (IATF) the other night in Davao City.

“The President is hoping that the Speaker and Rep. Velasco will abide by their agreement. But if Velasco has no numbers, he cannot do anything,” Roque said at a virtual press briefing yesterday from Malacañang.

Duterte has said he won’t be able to do anything if Velasco fails to muster enough numbers to remove Cayetano from his post.

Based on a supposed gentleman’s agreement, Cayetano will lead the House of Representatives for 15 months from the start of the 18th Congress in July last year. Velasco was supposed to take over the rest of the sessions of Congress in

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A woman walks past a tarpaulin with a message discouraging Pasig City residents from leaving their homes amid the pandemic.
BOY SANTOS

‘Dengue may provide immunity vs COVID’
(Story on Page 10)

Ombudsman stops lifestyle checks on public execs

By DELON PORCALLA

There will be no more lifestyle checks on officials suspected of stealing taxpayers’ money, according to Ombudsman Samuel Martires, who called the procedure “illogical.”

“What is living beyond your means? If he earns P50,000 monthly, lives in a small house, (is) able to save and bought

a BMW on a promo and zero-interest basis, he can afford to buy it. Is he living beyond his means? I don’t think so. What he has are distorted values and distorted priorities,” Martires said of officials suspected of involvement in corruption, at a House hearing on the proposed P3.7-billion budget of the Office of the Ombudsman for 2021.

“I want to propose to Congress for

some amendments in Republic Act 6713, where some of its provisions are really vague, *walang hulog sa logic*,” he told lawmakers.

In the digital age, the law is no longer attuned to realities, he pointed out.

He declared that both houses of Congress should amend the law governing the conduct of public officials if the government really wants to stamp out

deep-rooted bureaucratic corruption.

Martires – a former Supreme Court and Sandiganbayan justice – was referring to the 31-year-old Code of Conduct and Ethical Standards for Public Officials and Employees. RA 6713 was enacted in the 8th Congress under the first Aquino administration.

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2 doctors’ groups back price cap on swab test

By SHEILA CRISOSTOMO

Two groups of doctors yesterday backed the move of the Department of Health (DOH) to impose a ceiling on the prices of real time polymerase chain reaction or RT-PCR confirmatory test for COVID-19.

The Philippine College of Physicians (PCP) and Philippine Society of Microbiology and Infectious Diseases (PSMID) underscored the need to regulate the prices of swab tests to strengthen the country’s battle against the pandemic.

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Clinical lab owner Alexander Quimcoing prepares hospital-grade UV light sanitizers, which he uses as an added measure to disinfect his clinic in Quezon City yesterday. The DOH says UV light disinfection should be left to hospitals and medical professionals as improper use may have harmful effects. MICHAEL VARGAS

Driver’s license to be required for scooters

By NEIL JAYSON SERVALLOS

The Land Transportation Office (LTO) will soon require electric scooter users to secure a permit and a driver’s license from the agency as part of regulations to protect e-scooter users, whom the government said are prone to road accidents.

LTO chief Edgar Galvante said an administrative order that consolidates guidelines for

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Johnson shutting down UK again as COVID spreads

LONDON (Reuters) - British Prime Minister Boris Johnson will tell people today to work from home and will impose new curbs on pubs, bars and restaurants in a bid to tackle the swiftly accelerating second wave of the coronavirus outbreak.

In an address to parliament at 11:30 GMT and then to the nation at 19:00 GMT, Johnson will stop some way short of a full national lockdown of the sort he imposed in March.

"We know this won't be easy, but we must take further action to control the resurgence in cases of the virus and protect the NHS," Johnson will say, according to excerpts of his remarks distributed by his Downing Street office.

The measures come after senior medical warned on Monday that Britain faced an exponentially growing death rate within weeks unless urgent action was taken.

New COVID-19 cases are rising by at least 6,000 a day in Britain, according to week-old data, hospital admissions are doubling every eight days, and the testing system is buckling.

The new curbs will restrict the hospitality sector to table service only, by law.

Just weeks after urging people to start returning to work, Johnson will advise them to work from home if they can. He will also order all pubs, bars, restaurants and other hospitality sites across England to start closing at 10 p.m. on Thursday.

"One of the things we are going to emphasize is that if it is possible for people to work from home, we are going to encourage them to do so," Michael Gove, the minister for the Cabinet office, told Sky News. "There is going to be a shift in emphasis."

While millions across England, Scotland, Wales and Northern Ireland are already under some form of restriction, Johnson is not expected to announce a fully fledged lockdown of the kind seen in March.

Britain will face an exponentially growing death rate from COVID-19 unless the government moves urgently, Chris Whitty, the government's chief medical officer, and Patrick Vallance, its chief scientific adviser, said.

The United Kingdom already has the biggest official COVID-19 death toll in Europe - and the fifth largest in the world - while it is borrowing record amounts in an attempt to pump emergency money through the damaged economy.

Gove, one of Johnson's most senior ministers, said there were many roles that could not be performed at home, in areas from manufacturing and construction to retail.

"We need to balance, obviously, the need to ensure that people can continue to work, and indeed - critically - continue to go to school and benefit from education, against taking steps to try to reduce the virus, which is why if we can limit, or appropriately restrain, social contact, that is what we are trying to do," he said.

"The second shutdown begins," read the front-page headline of the *Daily Telegraph* while the *Daily Mail* said: "UK slammed into reverse."

Shares in Britain's listed pubs and restaurant groups fell sharply on Monday in anticipation of the move. While there is no consistent policy nationwide, the move will advance closing time by at least an hour for most areas.

London Mayor Sadiq Khan said he had agreed with local council leaders and public health experts on new COVID-19 restrictions to be put to central government, in an attempt to stem the outbreak in the capital.



A woman shops at a market amid the spread of the coronavirus in Britain, London on Monday.

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) 2021, WITH PRAYER FOR PROVISIONAL AUTHORITY,

ERC CASE NO. 2020 - __ RC

MANILA ELECTRIC COMPANY (MERALCO),
 Applicant.

APPLICATION

Applicant MANILA ELECTRIC COMPANY (MERALCO), by counsel, respectfully states that:

- Applicant MERALCO is a private corporation duly organized and existing under the laws of the Republic of the Philippines, with principal office located at Lopez Building, Ortigas Avenue, Pasig City. It may be served with notices and other processes of this Honorable Commission through its undersigned counsel at the address stated herein.
- Pursuant to Republic Act No. 8209, MERALCO has a legislative franchise to construct, operate and maintain an electric power distribution system for the conveyance of electric power to the end-users in the cities and municipalities of Metro Manila, Bulacan, Cavite and Rizal, and certain cities/municipalities/barangays in Balangas, Laguna, Quezon and Pampanga.
- MERALCO is part of the First Entry Group of private distribution utilities that entered Performance Based Regulation ("PBR").
- Pending the regulatory reset for the Fifth Regulatory Period (1 July 2019 to 30 June 2023), MERALCO is filing the instant application for the approval of its Capital Expenditure (CAPEX) projects for implementation in Regulatory Year (RY) 2021 covering the period from 1 July 2020 to 30 June 2021. This is pursuant to Section 2(b) of Commonwealth Act No. 146, as amended, otherwise 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. Primarily, these CAPEX projects are necessary to avert the foreseen emergency situations and ensure the reliable operation of its distribution network and continuous distribution service and connection to meet the growing needs of its about 6.9 million customers.

A. BACKGROUND OF MERALCO'S RY 2021 CAPEX PROGRAM

MERALCO's RY 2021 CAPEX Program is geared towards providing reliable service to its customers by maintaining an adequate, safe, efficient, and viable distribution network, while providing the needed capacity to address the forecasted load growth within its franchise area. MERALCO's RY 2021 CAPEX Program is mainly driven by the following factors:

- Adequate Infrastructure to Meet Growth in Peak Demand and Customer Connections**
 The distribution infrastructure must be sufficient to meet MERALCO's current and immediate requirements. MERALCO forecasts its customer base to expand to around 7.3 million and peak demand to grow to 7,301 MW by RY 2021. This increase in peak demand and customer count will require MERALCO to increase the capacity of the electric distribution system in order to continue accommodating customer connections, while maintaining the reliability and power quality of its distribution system. To capacity augmentation project has been undertaken starting 1 July 2020, MERALCO would not be able to provide electric service to its existing and new customers.
- Renewal/Relubrication Projects to Ensure Sustained Network Efficiency, Reliability and Power Quality**
 Capital expenditures are required to maintain existing assets so as not to degrade its network performance and customer service performance in the current regulatory year. The immediate implementation of these projects is not just imperative to say the least, but more so, critical as the reliability of MERALCO's electric distribution system in providing safe, reliable and adequate electric service is at risk.
- Automation/Innovation/Technology**
 Automation/technology projects will further allow MERALCO to enhance its distribution network, allowing it to respond more effectively to line and network outages which will reduce service interruptions of customers.
- Compliance to statutory and regulatory requirements.**
 Several RY 2021 CAPEX projects are likewise proposed in order to comply with various law, rules and regulations, including, among other things, compliance with: (a) Distribution Services Open Access Rules (DSOAR) on MERALCO's provision of the extension of lines and facilities for socialized housing initiatives of both public and private developers; and (b) Wholesale Electricity Spot Market (WESM) metering requirements.
- Support for Government PPP Initiatives / BBB Program**
 The National Government has identified the implementation of Build Build Build (BBB) programs and projects as a cornerstone strategy of the national development plan to accelerate the infrastructure development of the country and to sustain economic growth. MERALCO would thus need to relocate and replace existing facilities so as not to hamper the construction and development of these critical BBB projects.

A detailed discussion on MERALCO's considerations and justifications in forecasting its RY 2021 CAPEX Program is attached hereto as Annex "A" and made an integral part hereof.

B. LIST OF CAPEX PROJECTS

Taking into consideration the factors above, MERALCO hereby proposes the following thirty (30) very urgent major CAPEX projects for RY 2021:

PROJECT	PROJECT NAME	TOTAL IPHS	ANNEX
MER-1	Development of AUSTANA-1 115 KV-34.5 KV GIS Substation	459,838,661	"B-1"
MER-2	Development of Balanara 115 KV-34.5 KV Substation	613,878,004	"B-2"
MER-3	Development of Real 115 KV-34.5 KV Substation	263,949,036	"B-3"
MER-4	Development of Sampaloc 115 KV-34.5 KV GIS Substation	428,065,004	"B-4"
MER-5	Development of Vermona South 115 KV-34.5 KV Substation	451,704,120	"B-5"
MER-6	Expansion of Baranap 115 KV-34.5 KV GIS Substation (2nd Bank)	192,964,644	"B-6"
MER-7	Expansion of Ocampo 115 KV-34.5 KV Substation (2nd Bank)	339,692,979	"B-7"
MER-8	Installation of 63 MVA Power Transformer at Gilang Substation	290,822,852	"B-8"
MER-9	Development of Antipolo 230 KV-115 KV Delivery Point Substation-Phase 1	382,863,238	"B-9"
MER-10	Development of Arita 230 KV-115 KV Delivery Point Substation	398,814,794	"B-10"
MER-11	Construction of Aronca-Manduyog-534 (Bhangra) 115 KV Line	299,790,182	"B-11"
MER-12	Reliability Improvement of Alibula Substation	170,818,978	"B-12"
MER-13	Upland Portions of Ulong-Valente Heales-Malinta 115 KV Line	68,272,730	"B-13"
MER-14	Opening of PDR-TNC 2 115 KV Line	161,318,904	"B-14"
MER-15	Installation of 63 KV Capacitor Bank at Altagao Switching Station	31,109,505	"B-15"
MER-16	Installation of 115 KV Capacitor Bank at Galina Substation	22,424,168	"B-16"
MER-17	Installation of 115 KV Capacitor Bank at Conubang Substation	32,424,168	"B-17"
MER-18	Installation of 115 KV Capacitor Bank at Dulit Substation	32,424,168	"B-18"
MER-19	Relocation of MERALCO's Electrical Facilities Affected by the Construction of the National Government's Public-Private Partnership (PPP) Projects	263,600,000	"B-19"
MER-20	ADMS Software Removal and Hardware Refresh	419,959,689	"B-20"
MER-21	Site Verbs Internal Auditing Phase 2 Project	264,921,201	"B-21"
MER-22	Replacement of Power Transformer at Dalupan Bank 1	77,332,898	"B-22"
MER-23	Replacement of Power Transformer at Dalupan Bank 2	66,810,397	"B-23"
MER-24	EGCADA-DAIS Master Station Software Refresh	96,173,669	"B-24"
MER-25	Profitability and Cost Management (PCM) Migration	37,258,031	"B-25"
MER-26	Replacement of Protective Equipment	242,204,939	"B-26"
MER-27	Implementation of UNS (Demand Management System) Security	24,294,000	"B-27"
MER-28	OT Network Segmentation	75,000,000	"B-28"
MER-29	Implementation of Identity and Access Management System	95,876,305	"B-29"
MER-30	Construction of New Rizal Senior Administration Building	93,000,000	"B-30"

Copies of the detailed project justifications of the major projects under MERALCO's RY 2021 CAPEX program are attached hereto as Annexes "B and Series" and made integral parts hereof.

On the other hand, MERALCO's seventy-six (76) residual CAPEX projects, broken down by asset categories, are as follows:

PROJECT	PROJECT NAME	TOTAL IPHS	ANNEX
RES-1A	Structures and Improvements (Distribution Purposes)	6,525,207	"C-1"
RES-1C.1	Structures and Improvements (Distribution Purposes)	61,882,151	"C-2"
RES-1C.2	Structures and Improvements (Distribution Purposes)	2,750,000	"C-3"
RES-2B	Power Transformers	183,369,110	"C-4"
RES-3A.1	Switchgear	12,537,262	"C-5"
RES-3A.2	Switchgear	1,160,749	"C-6"
RES-3A.3	Switchgear	174,536,926	"C-7"
RES-3C	Switchgear	76,208,000	"C-8"
RES-4A.1	Protective equipment	1,313,837	"C-9"
RES-4A.2	Protective equipment	86,197,314	"C-10"
RES-4B	Metering & control equipment	43,911,824	"C-11"
RES-5B	Metering & control equipment	92,299,833	"C-12"
RES-6B	Communications equipment	103,874,528	"C-13"
RES-7A.1	Other station equipment	676,449	"C-14"
RES-7A.2	Other station equipment	5,370,856	"C-15"
RES-7B	Other station equipment	59,904,205	"C-16"
RES-8A	Poles, Towers and Pylons - Distribution	211,690,669	"C-17"
RES-8B	Poles, Towers and Pylons - Distribution	664,006,451	"C-18"
RES-8C	Poles, Towers and Pylons - Distribution	1,653,744,913	"C-19"
RES-9A	Overhead Conductors and Devices - Distribution	146,251,405	"C-20"
RES-9B	Overhead Conductors and Devices - Distribution	439,007,178	"C-21"
RES-9C	Overhead Conductors and Devices - Distribution	1,415,620,478	"C-22"
RES-10B	Overhead Conductors and Devices - Distribution	72,109,499	"C-23"
RES-11A	Underground Conductors and Devices - Distribution	291,806,012	"C-24"

RES-11B	Underground Conductors and Devices - Distribution	71,284,478	"C-25"
RES-12A.1	Distribution Transformers	233,652,187	"C-26"
RES-12A.2	Distribution Transformers	2,366,465,118	"C-27"
RES-12B	Distribution Transformers	310,891,841	"C-28"
RES-13B	Power Conditioning Equipment	185,487,933	"C-29"
RES-14B	Meters, Metering Instruments & Metering Transformers - Distribution	5,687,469	"C-30"
RES-15A.1	Information technology equipment (distribution)	33,333,333	"C-31"
RES-15A.2	Information technology equipment (distribution)	40,505,230	"C-32"
RES-16B.1	Information technology equipment (distribution)	85,344,867	"C-33"
RES-16B.2	Information technology equipment (distribution)	10,036,632	"C-34"
RES-16B.3	Information technology equipment (distribution)	10,036,632	"C-35"
RES-16B.4	Information technology equipment (distribution)	325,360,070	"C-36"
RES-17A	Structures and Improvements (non-network)	601,293,150	"C-37"
RES-17B	Structures and Improvements (non-network)	163,150,440	"C-38"
RES-17C	Structures and Improvements (non-network)	89,876,000	"C-39"
RES-17D	Structures and Improvements (non-network)	21,249,731	"C-40"
RES-19A	Transportation Equipment	106,178,000	"C-41"
RES-19B	Transportation Equipment	344,215,000	"C-42"
RES-20A	Tools, Shop and Garage Equipment	14,066,504	"C-43"
RES-20B	Tools, Shop and Garage Equipment	121,123,974	"C-44"
RES-21A	Laboratory Equipment	130,677,356	"C-45"
RES-21B	Laboratory Equipment	88,631,300	"C-46"
RES-22A.1	Information Systems (equipment non-network)	180,654,045	"C-47"
RES-22A.2	Information Systems (equipment non-network)	56,895,000	"C-48"
RES-22A.3	Information Systems (equipment non-network)	150,000,000	"C-49"
RES-22B	Information Systems (equipment non-network)	396,124,054	"C-50"
RES-23C	Information Systems (equipment non-network)	24,845,686	"C-51"
RES-23A	Communication Plant and Equipment	25,267,685	"C-52"
RES-23B	Communication Plant and Equipment	52,616,680	"C-53"
RES-24A	Miscellaneous Equipment	39,111,298	"C-54"
RES-24B	Miscellaneous Equipment	10,215,100	"C-55"
RES-24C	Miscellaneous Equipment	15,643,048	"C-56"
RES-25A	Meters and Instruments (including spare)	310,481,899	"C-57"
RES-27A	Underground Conductors and Devices (Customer)	200,505,900	"C-58"
RES-29A	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	852,494,127	"C-59"
RES-29B	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	621,108,234	"C-60"
RES-29C	Meters, Instruments & Metering Transformers (Consumer Consumption Metering)	45,364,000	"C-61"
RES-29D	Structures and Improvements (non-network)	26,839,160	"C-62"
RES-30B	Structures and Improvements (non-network)	37,697,000	"C-63"
RES-30C	Office Furniture and Equipment	6,182,290	"C-64"
RES-31A	Transportation Equipment	48,838,000	"C-65"
RES-31B	Transportation Equipment	24,200,000	"C-66"
RES-32A	Laboratory Equipment	12,788,000	"C-67"
RES-32B	Laboratory Equipment	2,843,115	"C-68"
RES-33A	Information Systems (equipment non-network)	19,849,683	"C-69"
RES-33B	Information Systems (equipment non-network)	226,248,916	"C-70"
RES-34A	Communication Plant and Equipment	1,329,000	"C-71"
RES-34B	Communication Plant and Equipment	3,339,000	"C-72"
RES-36A	Miscellaneous Equipment	1,089,700	"C-73"
RES-36B	Miscellaneous Equipment	2,593,135	"C-74"

Copies of the project justifications of the residual projects under MERALCO's RY 2021 CAPEX program are attached herewith as Annexes "C-series" and made integral parts hereof.

In light of the resulting benefits of MERALCO's RY 2021 CAPEX Program to its overall service to the electricity consumers, MERALCO respectfully submits that the building block components, particularly the return of capital and return on capital associated therewith, from the time the CAPEX is put in service and considered used and useful, should be considered as a deferred amount to be included in the calculation of MERALCO's next regulatory reset rates.

The filing of the instant Application is without prejudice to the subsequent filing by MERALCO for any unforecasted or emergency CAPEX as the need therefore arises.

C. URGENT NEED FOR ISSUANCE OF A PROVISIONAL AUTHORITY

Section 23 of the EPIRA provides that distribution utilities have an obligation to provide services and connections to its customers consistent with the distribution code. It is emphasized that non-approval of the CAPEX projects for RY 2021 will severely hamper MERALCO's operations and severely affect its ability to deliver electric service to its customers. It is imperative for MERALCO to implement its very urgent RY 2021 CAPEX projects starting 1 July 2020 for the expansion and rehabilitation of its network facilities through acquisition of new assets in order to ensure continuous delivery of reliable service and comply with safety, performance and other statutory/regulatory requirements, while addressing the growing needs of its about 6.9 million customers.

Thus, pending final approval, there is an urgent need for a provisional authority to be issued in favor of MERALCO to allow it to immediately implement its proposed RY 2021 CAPEX program. In support of the prayer for the grant of a provisional authority, attached as Annex "D" is the Judicial Affidavit of Engr. Froilan J. Sabet, Head of MERALCO's Network Planning and Design.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that the instant application for Authority to implement MERALCO's proposed Capital Expenditure (CAPEX) Program for Regulatory Year (RY) 2021 be APPROVED and that the building block components associated with the CAPEX Program from the time the CAPEX is put in service and considered used and useful be considered as a deferred amount to be included in the calculation of MERALCO's next reset rates.

Pending hearing, it is likewise prayed that a provisional authority be immediately issued authorizing Applicant MERALCO to implement its RY 2021 CAPEX Program.

Applicant MERALCO prays for such other relief as are deemed just and equitable under the premises.

Pasig City, 25 August 2020.

MANILA ELECTRIC COMPANY
 Applicant

By: *[Signature]*
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Republic of the Philippines } S.S.
 Pasig City

VERIFICATION AND CERTIFICATION OF NON-FORUM SHOPPING

I, JOSE RONALD V. VALLES, of legal age, married, and with office address at Manila Electric Company (MERALCO), 12th Floor, Lopez Building, MERALCO Center, Ortigas Avenue, Barangay Upag, Pasig City, hereby state under oath that:

- I am the First Vice-President and Head of the Regulatory Management Office of Manila Electric Company, and is authorized to represent it in this Application as per the attached Secretary's Certificate (Annex "E");
- I have caused the preparation of the instant Application and read the contents thereof, and I attest that the allegations herein contained are true and correct based on my personal knowledge and on authentic records made available to me;
- I have not commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency and, to the best of my knowledge, no such other action or claim is pending therein; and
- Should I hereinafter learn that the same or a similar action or claim has been filed or is pending in the Supreme Court, the Court of Appeals or any court, tribunal, or quasi-judicial agency, I shall report said fact within five (5) days from discovery thereof to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 23rd day of August 2020 at Pasig City, Philippines.

[Signature]
JOSE RONALD V. VALLES
 Affiant

Subscribed and sworn to before me this 23rd day of August 2020, at Pasig City, Philippines, after having exhibited to me his Social Security System ID bearing the number 33-1080088.

[Signature]
ATENCIO DAVID B. ALVARADO
 Public Notary, Third and Fourth
 Floors on February 19, 2019
 Office Address: 101 EDSA
 Pasig City, Philippines
 PTR No. 5699177; 1/25/20; Pasig City
 IBP No. 102771; 1/10/20; RSM