

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



**IN THE MATTER OF  
THE APPLICATION FOR  
THE APPROVAL OF POWER  
SUPPLY AGREEMENT  
BETWEEN VISAYAN  
ELECTRIC COMPANY, INC.  
(VECO) and GREEN CORE  
GEOTHERMAL, INC.  
(GCGI), WITH PRAYER  
FOR THE ISSUANCE OF  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2011-047 RC**

**VISAYAN ELECTRIC  
COMPANY, INC. (VECO),  
Applicant.**

X ----- X

**D O C K E T E D**  
Date: APR 03 2018  
By: [Signature]

**DECISION**

Before the Commission for resolution is the *Application* filed on 28 March 2011 by Visayan Electric Company, Inc. (VECO) for approval of its Power Supply Agreement (PSA) with Green Core Geothermal Incorporated (GCGI).

In its *Application*, VECO alleged the following:

1. Applicant VECO is a domestic corporation duly recognized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office at J. Panis Street, Banilad, Cebu City where it may be served with summons and other legal processes. It is a duly authorized distribution utility of the electric light, heat and power systems in the municipalities of San Fernando, Minglanilla, Consolacion and Lilo-an and the Cities of Naga, Talisay, Cebu and Mandaue, all in the province of Cebu (the "Franchise Area"). A copy of Applicant VECO's congressional franchise known as Republic Act No. 9339 is hereto attached as **Annex "A"** to form an integral part hereof.
2. Pursuant to *Rule 20 (B) of the ERC Rules of Practice and Procedure*, and other pertinent rules and regulations, this Application is submitted to this Honorable Commission for

due consideration of the Power Supply Agreement (“PSA”) executed by and between Applicant VECO and Green Core Geothermal Inc. (“GCGI”). A copy of the subject PSA is herein appended as Annex “B” to form an integral part hereof.

**I. STATEMENT OF FACTS**

3. GCGI is a corporation duly organized and existing under Philippine laws to engage in the general business of generating electric power, with principal office address at the Energy Center, Merritt Road, Bonifacio Global City, Taguig City, Metro Manila;

Copies of pertinent documents evidencing GCGI’s due registration and permit to operate as a generation company are appended herein as follows:

<b>DOCUMENT</b>	<b>ANNEX</b>
Articles of Incorporation and By-Laws	“C”
SEC Certificate of Registration	“D”
General Information Sheet for 2010	“E”
Environmental Compliance Certificate (“ECC”) for Palinpinon II Geothermal Power Plant. (The requirement of an ECC is not applicable to Palinpinon I and Tongonan Geothermal Power Plants since they were constructed prior to the implementation of the Environmental Impact Statement System by the Department of Environment of Natural Resources)	“F”
Certificate of Compliance for Palinpinon Geothermal Power Plant	“G”
Certificate of Compliance for Tongonan Geothermal Power Plant	“H”

4. On 23 October 2009, GCGI took over the control and possession of the **192.5 MW Palinpinon Geothermal Power Plant (“PGPP”)** and **112.5 MW Tongonan Geothermal Power Plant (“TGPP”)** through an open and competitive public bidding process which was managed by the Power Sector Assets and Liabilities Management Corporation (“PSALM”) in connection with the privatization of National Power Corporation (“NPC”) assets. A copy of the Joint Certificate of Turnover is herein appended as Annex “I” to form an integral part hereof;
5. On 23 December 2010, Applicant VECO and GCGI executed a Power Supply Agreement (“PSA”) providing for the terms and conditions of the supply of electric energy applicable from 26 December 2010.
6. In view of the need for additional power to serve its customers, GCGI started to supply the electric power requirements of Applicant VECO under the PSA on 26 December 2010.
7. It must be recalled that on October 16, 2009, faced with a dire power supply deficit, VECO signed an Electric Power Purchase Agreement (“EPPA”) with Cebu Energy

Development Corporation ("CEDC") for CEDC to provide 105 MW Contracted Capacity to VECO. At that time, CEDC was the only available power supplier that could immediately provide such an amount of power to VECO.

7.1 Subsequently, on October 28, 2009, VECO and CEDC filed an Application with the Honorable Commission for the approval of the EPPA, which was docketed as ERC Case No. 2009-075 RC. Thereafter, the Honorable Commission rendered a Decision authorizing VECO to purchase power from CEDC under the EPPA at the following base rates and conditions:

Rate Component	At 100% Load Factor (Php/kWh)	At 95% up to less than 100% Load Factor (Php/kWh)	At 90% up to less than 95% Load Factor (Php/kWh)
Capital Recovery Fee	2.2546	2.3752	2.5051
Peso O & M Fee	0.3434	0.3526	0.3628
Dollar O & M Fee	0.3688	0.3882	0.4098
Fuel cost	2.2642	2.2642	2.2642
<b>TOTAL</b>	<b>5.2310</b>	<b>5.3782</b>	<b>5.5419</b>

7.2 As will be shown in the terms of the PSA, the proposed rates of GCGI to VECO is cheaper than the rates under the EPPA.

8. On September 29, 2010 (or prior to the execution of the PSA), VECO wrote the Power Sector Assets and Liabilities Management Corporation ("PSALM") seeking for a possible two-year extension of the Contract for the Supply of Electric Energy which will expire on December 2010.

8.1 In a letter dated November 26, 2010, PSALM replied to VECO agreeing only to an extension from December 26, 2010 to December 25, 2011; however, this was subject to a reduction in Contract Demand from 232,000 kW to 121,654 kW, and a reduction in Contracted Energy from 121,303,000 kWh/month to 63,607,938 kWh/month. This in itself is an indication that even PSALM is unable to supply VECO the original demand and energy quantity, in lieu of the GCGI's PSA. A copy of the September 29, 2010 and November 26, 2010 letters from VECO and PSALM, respectively, are herein appended as **Annex "X"** to form an integral part hereof.

**II. ABSTRACT OF THE PSA AND OTHER RELATED INFORMATION**

9. The following are the salient features of the PSA:

- a. **TERM.** The PSA shall be in force for a period of five (5) years commencing on the effective date of **26 December 2010 until 25 December 2015**, unless earlier terminated in accordance with the provisions of the *PSA*.
- b. **CONTRACT ENERGY.** Applicant VECO shall buy from GCGI the monthly energy quantities specified in *Annex D* of the *PSA* as shown below.

<b>Billing Month</b>	<b>26 December 2010 to 25 December 2015 (in kilowatt-hours)</b>
January	44,640,000
February	44,640,000
March	40,320,000 *
April	44,640,000
May	43,200,000
June	44,640,000
July	43,200,000
August	44,640,000
September	44,640,000
October	43,200,000
November	44,640,000
December	43,200,000

\* : 41,760,000 kilowatt-hours if contract month falls in a leap year

- c. **MAXIMUM DEMAND.** In any hour, GCGI has no obligation to supply energy to VECO over and above the applicable Maximum Demand, as specified in *Annex B* of the *PSA*.

	<b>26 December 2010 to 25 December 2015 (in kilowatts)</b>
Maximum Demand	60,000

Should Applicant VECO's actual consumption of electric energy in any one (1) hour period exceed the equivalent energy of the Maximum Demand, such excess electric energy shall be paid by Applicant VECO at (a) the higher of the Basic Energy Charge for such hour or the WESM price at Applicant VECO's node for such hour, in the event that GCGI provides such excess electric energy, or (b) the actual cost of such excess electric energy (including any other charges or penalties that GCGI may incur due to such excess electric energy consumption of Applicant VECO) in the event that GCGI procured such excess electric energy from other suppliers or the WESM.

The payment by Applicant VECO to GCGI for excess consumption over and above the Maximum Demand is illustrated in *Annex I* of the PSA;

- d. **BASIC ENERGY CHARGE.** The schedule of Basic Energy Charge as shown below is inclusive of the 3.67% systems loss factor approved by this Honorable Commission for the Visayas Grid, considering that the agreed delivery point is at Applicant VECO's substations.

	<b>26 December 2010 to 25 December 2015 (in Pesos per kWh)</b>
<b>Basic Energy Charge</b>	<b>5.0336</b>
<b>Base Philippine Consumer Price Index</b>	December 2009
<b>Point of Delivery</b>	VECO's substation

Herein appended as **Annex "J"** to form an integral part hereof is the *Details of the PSA*, containing the Executive Summary thereof, relevant information on GCGI and power plant capacities, and the salient provisions of the PSA;

- e. **DELIVERY.** Since the commencement of WESM in the Visayas on December 26, 2010 (which, incidentally, was the commencement of delivery by GCGI to Applicant VECO), GCGI has delivered ex-plant to VECO to comply with the WESM. Accordingly, the Basic Energy Charge will be lower since the 3.67% transmission loss will now be excluded, although this will now be charged by the Market Operator as "line rental" pursuant to the WESM Rules.
- e. **TERMINATION BY GCGI.** In the event that Applicant VECO shall require the approval of the Honorable Commission to make any adjustment of the Charges or fees payable to GCGI, the Parties shall cooperate in good faith to secure such approval, GCGI shall have the right (but not the obligation to terminate the PSA on at least thirty (30) days' prior written notice).

### **III. ADJUSTMENT TO THE BASIC ENERGY CHARGE**

10. The Basic Energy Charge shall be escalated or de-escalated annually by the *Philippine Consumer Price Index* published by the National Statistical Coordination Board. The base **Philippine Consumer Price Index shall be December 2009**. An illustrative example to compute for the

adjustment to the Basic Energy Charge is shown in *Annex G* of the PSA;

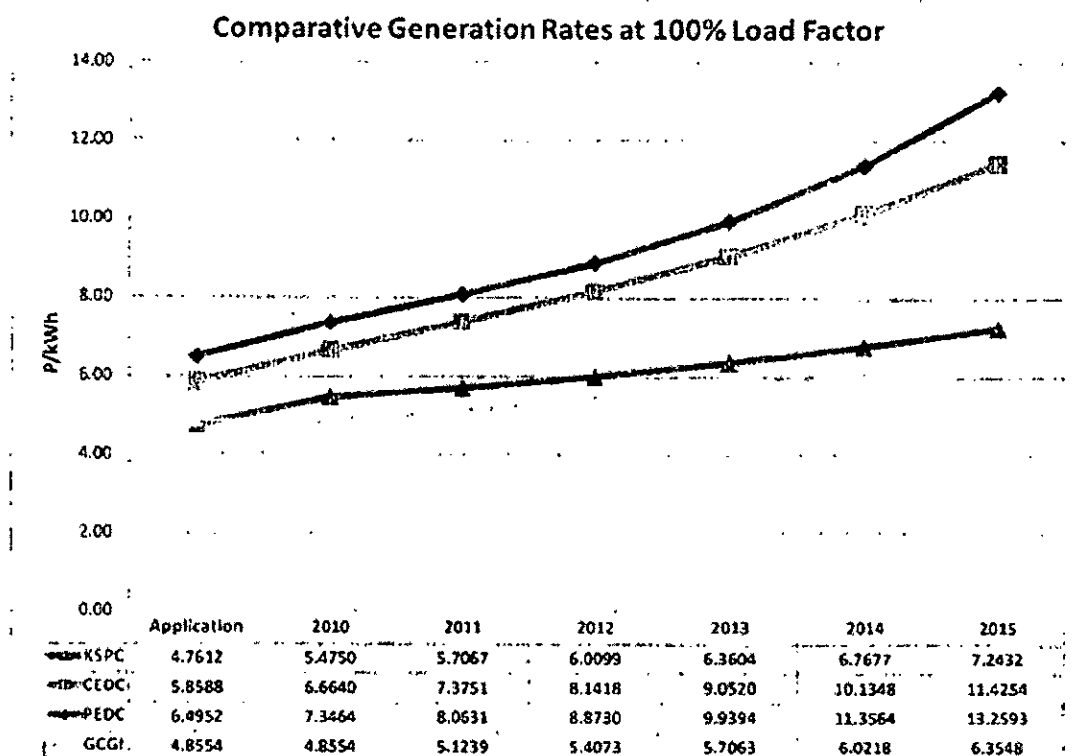
**IV. ADVANTAGES OF GCGI'S MARKET-BASED RATE AND GCGI'S ADJUSTMENT FORMULA**

11. The Basic Energy Charge is a fixed market-based rate;
12. Market competition provides the strongest incentives to generators to offer the best service to customers in terms of price and quality of service, and to bring them to the delivery points more reliably and efficiently than their competitors;
13. Certainly, a competition is the best form of economic regulation of electricity markets. It is in cognizance of this that the provisions of *Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 ("EPIRA")*, called for the privatization of the power generation assets of NPC in order to promote competition in the power sector;
14. **Thus, in a competitive electricity market, a distribution utility which selects a power supplier with clearly-defined benefits and distinct commercial advantages over competitors in terms of price and quality of service is already assured that its consumers are getting the best price and most efficient power supply in the market;**
15. The *Adjustment Formula* for the Basic Energy Charge is advantageous to its consumers given that it is simple, predictable, stable and minimal.
  - a. Under Section 6.2 of the PSA, the Basic Energy Charge shall be escalated or de-escalated annually only by the *Philippine CPI* published by the National Statistical Coordination Board. The base Philippine Consumer Price Index shall be *December 2009*;
  - b. GCGI will be fully absorbing the risk of any upward movement of the geothermal steam cost, which is indexed to global coal prices and foreign exchange rates, and foreign exchange risk related to spare parts and equipment. For this reason, the full Basic Energy Charge shall be subject to the adjustment formula to help GCGI partly cover the risk of potential increases of the geothermal steam cost, and forex-denominated spare parts and equipment;
  - c. Using the historical indices in the last six (6) years, an analysis was made to compare the projected generation rates of GCGI in the next five (5) years using Philippine CPI only in its adjustment formula, and the projected generation rates of the coal-fired

base load power plants, which are adjusted using global coal prices, foreign exchange rate, US CPI and RP CPI. As shown in the table below, the average increase of global coal prices reached 18.67% per year, while only 5.53% per year for RP CPI;

	2004	2005	2006	2007	2008	2009	2010
RP CPI	120.59	129.82	137.94	141.77	154.95	160.03	166.31
ANNUAL CHANGE		7.65%	6.25%	2.78%	9.30%	3.28%	3.92%
AVERAGE							5.53%
COAL PRICES	53.58	48.11	48.82	64.87	128.08	72.07	96.68
ANNUAL CHANGE		-10.21%	1.48%	32.88%	97.44%	-43.73%	34.15%
AVERAGE							18.67%

16. **The generation rates of GCGI are expected to remain the lowest in the Visayas area due to the minimal increase and stable movement of the Philippine CPI, as shown in the chart below.**



17. It is evident that entering into the PSA with GCGI would significantly reduce Applicant VECO's exposure to price volatilities in the WESM considering the very competitive Basic Energy Charge under the PSA and its adjustment formula that is stable and minimal;

**V. COMMERCIAL ADVANTAGES OF GCGI'S GENERATION RATE AND IMPACT ON APPLICANT LEYECO V'S OVERALL RATES**

18. The continued increase in the demand for power by its consumers within its franchise area, not to mention the gloomy power situation in the Visayas, have motivated Applicant LEYECO V to look for additional power suppliers to provide a safe, secure and reliable power for its consumers;
19. Pursuant to the State Policy declared in the EPIRA, to enhance the inflow of private capital and broaden the ownership base of the power generation, transmission and distribution sectors and consistent with the terms of its franchise, Applicant VECO has sought a generation company, GCGI, to supply its power requirements;
20. The market-based generation rate of GCGI is the most competitive among other generation companies with available capacity to supply the base load requirement of Applicant VECO. A new power supply contract with GCGI would be in the best interest of herein Applicant VECO's consumers;
- 20.1 The alternative power suppliers for Applicant VECO's base load requirement are the newly constructed coal-fired power plants in the Visayas area: (1) KEPCO-Salcon Power Corporation's ("KSPC") 2x100 MW power plant in Naga, Cebu; (2) Panay Energy Development Corporation's ("PEDC") 2x82 MW power plant in La Paz, Iloilo City; and (3) Cebu Energy Development Corporation's ("CEDC") 3x82 MW power plant in Toledo City, Cebu;
- 20.2 GCGI's Basic Energy Charge of P5.0336 per kWh, which is equivalent to P4.7000 per kWh net of 3.67% systems loss factor approved by the Honorable Commission for the Visayas Grid, is **the most competitive electricity rate compared to the other base load power plants in the Visayas grid**, as shown in the table below. The base prices of the alternative generating facilities have been updated using the latest available indices (July 2010);

Description	Base Price (P/kWh)				Updated Price (as of July 2010)			
	KSPC 100% LF	CEDC 100% LF	PEDC 75% LF	PEDC 100% LF	KSPC 100% LF	CEDC 100% LF	PEDC 100% LF	GCGI 100% LF
Capacity Fee	2.2958	2.2546	3.4740	2.6055 *	2.4285	2.2546	2.6055 *	1.6453
Foreign O&M Fee	0.2782	0.3688	0.5078	0.3808	0.3022	0.4387	0.4610	0.5911
Local O&M Fee	0.3809	0.3434	0.5671	0.4253	0.4026	0.3598	0.4457	
Fuel Fee	1.2962	2.2642	2.3876	2.3876	1.7551	2.8969	3.0471	2.9921
Subtotal	4.2511	5.2310	6.9365	5.7993	4.8884	5.9500	6.5593	5.2285
VAT	0.5101	0.6278	0.8324	0.6959	0.5866	0.7140	0.7871	0
Total	4.7612	5.8588	7.7689	6.4952	5.4750	6.6640	7.3464	5.2285



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					Updated	Updated	Updated	Agreed
Comparable Prices					5.4750	6.6640	7.3464	4.8554
Net Savings for Applicant VECO					0.6196	1.8086	2.4910	

\*Derived figure based on Capacity Fee at 100% Load Factor: P3.4740 \* 75% = 2.6055/kWh

21. As shown in the table below, VECO's blended generation rate with GCGI's supply of electricity would result to Php 5.0019 per kWh, and at Php 5.0715 per kWh if without said GCGI's supply, resulting in an estimated net savings for the Applicant VECO's consumers equivalent to Php 0.0696 per kWh with GCGI's supply of electricity.

	Blended Rate Without GCGI PSA (PhP / kWh)	Blended Rate With GCGI PSA (PhP / kWh)
Blended Rate	5.0715	5.0019
Rate Impact	(0.0696)	

22. Indeed, GCGI's price advantage over herein Applicant VECO's alternative power suppliers ensures a more competitive and efficient supply for Applicant VECO's consumers. A comparison of the generation rate of GCGI with the rates of its alternative power suppliers gives the best indication of the PSA's economic advantage to the consumers of Applicant VECO;
23. On another note, considering the incentives given to renewable energy resources such as geothermal, purchasing electric power from GCGI's geothermal power plants is more advantageous for its consumers, thus:
- a. The sale of electric power generated from renewable sources of energy shall be subject to zero percent (0%) value-added tax, pursuant to the *National Internal Revenue Code of 1997*, as amended by *Republic Act No. 9337*;
  - b. Buying power from GCGI's geothermal power plants will also support the government's policy to encourage the development and utilization of renewable energy resources to effectively prevent or reduce harmful emissions and thereby balance the goals of economic growth and development with the protection of health and the environment;
24. Under the PSA, Applicant VECO is further entitled to a prompt payment discount ("PPD"). Pursuant to this Honorable Commission's Resolution No. 12, Series of 2005, approving a new policy on the treatment of Prompt Payment Discount ("PPD"), Applicant VECO shall be entitled to the PPD should it meet the criteria set forth under Section 9 of the PSA. **Consumers will, thus, enjoy fifty percent**

**(50%) of the PPD in the event that Applicant VECO is entitled thereto.**

25. In view of the foregoing, the approval of the PSA between Applicant VECO and GCGI will assure consumers of Applicant VECO of continuous, adequate and reliable power service.
26. In support of the instant *Application* for the approval of PSA, including the rate structure therein, Applicant VECO herein further attaches the following documents to form integral parts hereof, to wit:

<b>DOCUMENT</b>	<b>ANNEX</b>
VECO Board Resolution authorizing its President and COO Jaime Jose Y. Aboitiz to sign, in behalf of VECO, the <i>subject PSA</i> with GCGI	“K”
GCGI Board Resolution No. 5 Series of 2009 designating Messrs. Richard B. Tantoco and Ernesto B. Pantangco as duly authorized signatories of GCGI	“L”
VECO’s Letter to ERC informing the latter about the signed PSA with GCGI	“M”
VECO Secretary’s Certificate authorizing its Executive Vice President and Chief Operating Officer Jaime Jose Y. Aboitiz and Assistant Vice President for the Utility Economics Group Arto A. G. Sarmiento to file the Application for the Approval of the PSA between VECO and GCGI with the Energy Regulatory Commission and to sign documents relative thereto.	“N”
General Plant Description, showing all relevant technical characteristics of PGPP	“O”
General Plant Description, showing all relevant technical characteristics of TGPP	“O-1”
Copy of the Transmission Service Agreement between VECO and the National Transmission Company (“TRANSCO”);	“P”
Details on the load forecast projections in accordance with VECO’s Distribution Development Plan for 2011	“Q”
Alternative Demand Side Management Program that could be implemented by VECO	“R”
Latest and Complete Set of Audited Financial Statements of GCGI ( for 22 June 2009 – 31 December 2009 period only)	“S”
Details of the computation of GCGI’s generation cost	“T”

**VI. COMPLIANCE WITH PRE-FILING REQUIREMENTS**

27. Applicant VECO herein manifests compliance with the pre-filing requirements mandated under *Rule 3, Section 4(e) of the Implementing Rules and Regulations of the EPIRA and Rule 6 of the 2006 ERC Rules of Practice and Procedure*, as Evidenced by the following:
  - a. Affidavit of Service with Justification executed by Mr. Marlon Estraves certifying on the personal service of the Application to the Sangguniang Panlungsod of Cebu City **Annex “U”**;

- b. Notarized *Affidavit of Publication* stating that the instant *Application* had been published in a newspaper of general circulation within the Franchise Area of Applicant VECO, appended as **Annex "V"**;
- c. A copy of the newspaper issue where the *Application* as published appeared, appended as **Annex "W"**;

**VII. ALLEGATIONS IN SUPPORT OF THE PRAYER FOR A PROVISIONAL AUTHORITY**

- 28. All the foregoing allegations are repleaded by reference in support of the instant *Prayer* for the issuance of provisional authority;
- 29. Considering that supply of energy by GCGI makes up 21% of Applicant VECO's energy demand, pending hearing of the instant *Application* and in the absence of a provisional authority, Applicant VECO and its member-consumers will be at a very vulnerable state as they cannot be assured of continuous supply of energy absent an authority to implement an agreement where the obligation to supply and purchase energy may be enforced;
- 30. More so, pending approval of the instant *Application*, and without a provisional authority granted, Applicant VECO will be unable to avail of the commercial advantages granted to it under the *Power Supply Agreement*, to the detriment and prejudice of its member-consumers;
- 31. **Furthermore, it is necessary for herein Applicant VECO to avail of the much needed electric power from GCGI, without any delay, and help alleviate the current power shortage in the Applicant VECO's Franchise Area;**
- 32. *Rule 14, Section 3 of this Honorable Commission's Rules of Practice and Procedure*, clearly mandates the issuance of Provisional Authority pending approval of the *Application*, thus:

***Section 3. Action on the Motion. - Motions for provisional authority or interim relief may be acted upon with or without hearing. The Commission shall act on the motion on the basis of the allegations of the application or petition and supporting documents and other evidences that applicant or petitioner has submitted and the comments or opposition filed by any interested person, if there be any. (Emphasis ours)***

- 33. In view of the foregoing, there is a sufficient basis for the issuance of the Provisional Authority pending final approval of the instant *Application*, and thus the issuance of Provisional Authority is clearly imperative.

**PRAYER**

**WHEREFORE**, in view of all the foregoing, it is most respectfully prayed for of this Honorable Commission that:

- (a) That prior and/or pending hearing, a **PROVISIONAL AUTHORITY** be issued authorizing Applicant VECO to immediately implement the Power Supply Agreement with GCGI, including the rate structure therein as applied. Further, that such rate structure as applied be allowed retroactive implementation starting December 26, 2010 until Final Approval; and
- (b) That after due notice and hearing, a **FINAL AUTHORITY** be issued implementing the Power Supply Agreement between VECO and GCGI including its rate structure as applied and finally approving the retroactive implementation of the rate structure as applied starting December 26, 2010.

Other reliefs as may be just and equitable under the premises are likewise most respectfully prayed for.

Having found the VECO's *Application* to be sufficient in substance, with the required fees having been paid, the Commission issued an Order and a Notice of Public Hearing, both dated 04 April 2011, setting the case for initial hearing on 04 May 2011.

On 02 May 2011, VECO filed its *Pre-trial Brief* and the *Direct Testimony* of Mr. Carlos Lorenzo Vega (Mr. Vega), Senior Manager for Power Marketing of First Gen Corporation, who was assigned to GCGI. On the same day, VECO filed its *Compliance* with attached *Affidavit* of Mr. Lyndon C. Jayme (Mr. Jayme), the Assistant Vice President – Utility Economics Group of VECO.

In the aforementioned *Pre-trial Brief*, VECO attached its proof of compliance with the notice and publication requirements, which were duly marked as Exhibits "D" to "Q-2"<sup>1</sup>. Finding the said

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<sup>1</sup> Exhibit "D" (April 15, 2011 issue of the Philippine Daily Inquirer); Exhibit "D-1" (Page L3 of the April 15, 2011 issue of the Philippine Daily Inquirer showing the page where the Notice of Hearing is contained); Exhibit "E" (April 20, 2011 issue of the Philippine Daily Inquirer); Exhibit "E-1" (Page B4 of the April 20, 2011 issue of the Philippine Daily Inquirer showing the page where the Notice of Hearing is contained); Exhibit "F" (Affidavit of Publication issued by Lourdes C. Diaz, Classified Ads Manager of the Philippine Daily Inquirer dated April 20, 2011); Exhibit "F-1" (Signature of Lourdes C. Diaz on the Affidavit); Exhibit "G" (April 15, 2011 issue of the Manila Bulletin); Exhibit "G-1" (Page B9 of the April 15, 2011 issue of the Manila Bulletin showing the page where the Notice of Hearing is contained); Exhibit "H" (April 20, 2011 issue of the Manila Bulletin); Exhibit "H-1" (Page B8 of the April 20, 2011 issue of the Manila Bulletin showing the page where the Notice of Hearing is contained); Exhibit "I" (Affidavit of Publication issued by the Manila Bulletin); Exhibit "J" (Certificate of Performance from Word Broadcasting Corporation (DYRF-AM) dated April 25, 2011); Exhibit "J-1" (Signature of Fr. Joseph Suson, Station Manager,

submissions compliant with the Order dated 04 April 2011, the Commission acquired jurisdiction over the instant case.

On 16 May 2011, VECO filed its *Formal Offer of Evidence* dated 12 May 2011.

On even date, the Commission issued an Order provisionally approving the Power Supply Agreement of VECO and GCGI, the dispositive portion of which reads:

**WHEREFORE**, the foregoing premises considered, the Commission hereby **PROVISIONALLY APPROVES** the Power Supply Agreement (PSA) of Visayan Electric Company, Incorporated (VECO) with Green Core Geothermal, Incorporated (GCGI) at a Basic Energy Charge of **PhP4.8554000/kWh (at 100% Load Factor and exclusive of systems loss)**, subject to the following conditions:

- a. The final generation cost that can be recovered shall be determined by the Commission in its Decision in the instant application;

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on the Certificate of Broadcast); Exhibit "K" (Certification from Vimcontu Broadcasting Corporation (DYLA-AM) dated April 25, 2011); Exhibit "K-1" (Signature of Jun Tagalog, General Manager, on the Certificate of Broadcast); Exhibit "L" (April 13, 2011 transmittal letter to the Office of the Solicitor General attaching copies of the instant Petition, the April 4, 2011 Order and Notice of Public Hearing from the Honorable Commission); Exhibit "L-1" (Receipt issued by the Philippine Postal Corporation); Exhibit "M" (April 13, 2011 transmittal letter to the Office of the Commission on Audit attaching copies of the instant Petition, the April 4, 2011 Order and Notice of Public Hearing from the Honorable Commission); Exhibit "M-1" (Receipt issued by the Philippine Postal Corporation); Exhibit "N" (April 13, 2011 transmittal letter to the Committee on Energy of the House of Representatives attaching copies of the instant Petition, the April 4, 2011 Order and Notice of Public Hearing from the Honorable Commission); Exhibit "N-1" (Receipt issued by the Philippine Postal Corporation); Exhibit "O" (April 13, 2011 transmittal letter to the Committee on Energy of the Senate attaching copies of the instant Petition, the April 4, 2011 Order and Notice of Public Hearing from the Honorable Commission); Exhibit "O-1" (Receipt issued by the Philippine Postal Corporation); Exhibit "P" (Certification issued by the Cebu City Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-1" (Certification issued by the Mandaue City Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-2" (Certification issued by the Talisay City Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-3" (Certification issued by the Naga City Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-4" (Certification issued by the Consolacion Municipality Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-5" (Certification issued by the Lilo-an Municipality Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-6" (Certification issued by the Minglanilla Municipality Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-7" (Certification issued by the San Fernando Municipality Mayor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "P-8" (Certification issued by the Cebu Provincial Governor attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "Q" (Certification issued by VECO SM City Cebu Office attesting to the posting of the Notice of Public Hearing in its bulletin board); Exhibit "Q-1" (Certification issued by VECO Talisay Office attesting to the posting of the Notice of public Hearing in its bulletin board); Exhibit "Q-2" (Certification issued by VECO Talamban Office attesting to the posting of the Notice of public Hearing in its bulletin board).

- b. In the event that the rates provisionally approved are found to be higher than the final rates, the amount corresponding to the excess shall be refunded by VECO to its member-consumers by crediting the same in their electric bills over a period to be determined by the Commission; and
- c. The Basic Energy Charge (excluding the Capital Cost Recovery Fee and the component in the O&M pertaining to E.R. 1-94) shall be escalated or de-escalated or de-escalated annually using the Philippine Consumer Price Index as published by the National Statistical Coordination Board, provided that no escalation or de-escalation shall be made within one (1) year from the Effective Date of the PSA.

**SO ORDERED.**

On 19 May 2011, Oppositor Apo Cement Corporation (APOCEMCO) filed *Request for Additional Time to File Comment* dated 13 May 2011.

On 27 May 2011, APOCEMCO filed *Entry of Appearance with Motion for Additional Time* dated 24 May 2011.

On 31 May 2011, APOCEMCO filed an *Ex-Parte Submission* dated 31 May 2011.

On 06 June 2011, APOCEMCO filed *Comment* dated 29 May 2011.

On 30 April 2012, the Commission extended the provisional authority granted to Applicant.

On 04 December 2014, LEYECO V filed a *Manifestation with Motion to Admit Additional Evidence*.

On 07 February 2017, the Commission issued an Order admitting the exhibits contained in the *Formal Offer of Exhibits* and its *Manifestation with Motion to Admit Additional Evidence* for being relevant and material in the final resolution of this case.

**ISSUE**

The issue to be resolved by the Commission is whether the Power Supply Agreement (PSA) entered into by VECO with Green Core Geothermal Incorporated (GCGI) should be approved.

**THE COMMISSION'S RULING**

On 21 February 2017, the Commission deliberated and decided to approve the instant *Application*. However, due to supervening events<sup>2</sup>, the Decision could no longer be promulgated without undergoing reconfirmation by the Commission *En Banc*. Thus, the Commission resolved to reconfirm the Decision on 15 June 2017.

The Commission evaluated the propriety and necessity of the PSA entered into by VECO with GCGI. Below are the discussions of the Commission leading to its approval of the PSA:

**I. GCGI's PROPOSED RATES**

The table below shows the different rates that GCGI offered to its customers:

<b>Rate (PhP/kWh)</b>	<b>Description</b>
4.7000	The base rate [at one hundred percent (100%) load factor and exclusive of systems loss] offered by GCGI to customers, which cannot avail of Prompt Payment Discount (PPD).  This is based on December 2009 Philippine Consumer Price Index (CPI).
4.8554	The base rate [at one hundred percent (100%) load factor and exclusive of system loss] offered by GCGI to customers, which were able to avail of PPD.  This is based on December 2009 Philippine Consumer Price Index (CPI).
5.0336	4.8554 plus 3.67% system loss
5.3000	4.8554 plus 9.16% system loss

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<sup>2</sup> The Chairman was placed on preventive suspension as per Order of the Office of the President (OP-DC Case No. 17-D-094) dated 2 May 2017 and received on 04 May 2017.

4.8800	4.7000 plus 3.67% system loss
5.1000	The base rate (at 100% load factor and exclusive of system loss) offered by GCGI to customers which cannot avail of PPD.  This is based on June 2011 Philippine CPI.

**II. COMPUTATION OF GCGI's  
TRUE COST OF  
GENERATION**

GCGI averred that its proposed Basic Energy Charges (BECs) are “market-based”. As such, the cost assumptions and methodologies relative to the computation of debt-equity ratio, project cost and return on investment, which are benchmarks in determining actual or true cost of generation, were not applied.

Although GCGI’s proposed rate is “market-based”, the Commission deems it prudent to establish GCGI’s rate on a “cost-based” methodology, consistent with the Commission’s existing policies.

In determining the reasonableness of GCGI’s proposed rates and establishing the true cost of generation, the Commission considered only the full recovery and pass-through of prudent and economic costs in acquiring and operating GCGI’s power plants with a fair return on assets.

The Commission recognizes that GCGI’s proposed rate is a fixed bundled rate. However, it is necessary that the proposed generation rate of PhP5.0336/kWh<sup>3</sup> be unbundled to compute for the recoverable generation rate. Thus, the Commission considered the following true cost components:

- a. **Capital Recovery Fee (CRF)** which is a capital-related component that will allow GCGI to recover its investment including a reasonable rate of return;
- b. **Operation and Maintenance Fee (OMF)** which is a maintenance (O&M) costs. The O&M cost is usually composed of local and foreign components, which changes proportionately with the changes of the

<sup>3</sup> At one hundred percent (100%) load factor and exclusive of system loss.



predetermined economic factors such as CPI and foreign exchange rate; and component to recover the recurring operating and

- c. **Fuel Fee (Geothermal Steam)** which is a component to recover fuel costs incurred in generating electricity.

Shown below is GCGI's computed true cost of generation based on its 2010 and 2011 Audited Financial Statement (AFS):

<b>Component</b>	<b>2010 AFS (PhP/kWh)</b>	<b>2011 AFS (PhP/kWh)</b>
Capital Recovery Fee	1.8544	1.4113
Operations and Maintenance	0.5632	0.5165
Fuel Fee	3.3302	3.3500
<b>Total Generation Rate/ Basic Energy Charge</b>	<b>5.7478</b>	<b>5.2778</b>

Each of the components is discussed extensively below:

**1. Capital Recovery Fee (CRF)**

The CRF is intended for non-volatile and stable capital cost and should not be elastic or moving, thus, not subject to CPI.

The Commission computed GCGI's total capital cost at Eleven Billion Eight Hundred Fifty Nine Million Six Hundred Four Thousand and Two Hundred Thirty Five Pesos (PhP11,859,604,235.00) by taking into account the asset value based on the costs of acquisition and rehabilitations of the plants, as validated in its 2010, 2011, and 2012 AFS.

**1.1. Acquisition Cost of the Power Plants**

On 02 September 2009, GCGI acquired the 192.5 MW Palinpinon Geothermal Power Plant ("PGPP") located in Negros Oriental, and the 112.5 MW Tongonan Geothermal Power Plant ("TGPP") located in Leyte through the auction conducted by Power Sector Assets and Liabilities Management (PSALM). Subsequently, on

23 October 2009, both power plants were turned over to GCGI.

The actual cash outflow for the acquisition of the foregoing power plants amounted to Ten Billion One Hundred Sixty Five Million Three Hundred Thirty Seven Thousand and Six Hundred Fifty Seven Pesos (PhP10,165,337,657.00).

### **1.2. Rehabilitation Cost of the Power Plants**

GCGI is undertaking rehabilitation activities primarily to improve the reliability and availability of the power plants considering their condition and age. The rehabilitation activities are expected to increase the total net dependable capacity of the power plants from 230 MW to 245 MW.

Based on its submissions, GCGI indicated a total budget of PhP2.51 Billion for the rehabilitation of the power plants. However, it subsequently submitted a budget of PhP2.98 Billion.

According to GCGI, the latest budget estimate for the rehabilitation had increased to PhP2.98 Billion due to higher projected costs for turbine/generator repairs, cooling water system, and electrical systems. Likewise, it alleged that it spent a total of PhP1.70 Billion as of the end of 2011, while its committed expenditures based on its existing purchase orders, work orders, and contracts with suppliers account for the balance of the GCGI's updated total budget of PhP2.98 Billion.

The Commission believes that the cost incurred for rehabilitating the power plants is an eligible cost to be recovered and therefore should be included as part of GCGI's CRF. The PhP2.98 Billion rehabilitation cost being proposed consists of incurred and committed capital expenditures, thus, part of which is forecasted expenditure, which may or may not materialize.

It must be emphasized, however, that GCGI failed to substantiate its proposed rehabilitation cost of PhP2.98 Billion, particularly, the projected amount. Hence, the

Commission took reference from GCGI's 2010, 2011, and 2012 AFS and adopted the total additional amount of One Billion Six Hundred Ninety Four Million Two Hundred Sixty Six Thousand and Five Hundred Seventy Eight Pesos (PhP1,694,266,578.00) as rehabilitation costs incurred. The GCGI's AFS had been verified and audited by an independent accounting firm, thus, the Commission relied on the figures contained therein.

Accordingly, the Commission calculated the total capital cost of GCGI in the amount of Eleven Billion Eight Hundred Fifty Nine Million Six Hundred Four Thousand and Two Hundred Thirty Five Pesos (PhP11,859,604,235.00) consisting of the acquisition cost of Ten Billion One Hundred Sixty Five Million Three Hundred Thirty Seven Thousand and Six Hundred Fifty Seven Pesos (PhP10,165,337,657.00), and rehabilitation costs of One Billion Six Hundred Ninety Four Million Two Hundred Sixty Six Thousand and Five Hundred Seventy Eight Pesos (PhP1,694,266,578.00).

### **1.3. Power Plants' Economic Life**

In its initial submission, GCGI indicated an economic life of twenty-two (22) years for the power plants. This corresponds to the remaining years of Energy Development Corporation's (EDC) Geothermal Resources Sales Contract (GRSC) with the National Power Corporation-PSALM (NPC-PSALM) which will expire in 2031. The GRSC gives an assurance of steam supply for the PGPP and TGPP.

However, during the hearing, GCGI averred that it would be more appropriate to reflect the actual economic life used in its financial statements, as this was subjected to third-party assessment and audit. It further alleged that in its AFS, the weighted average economic life of the power plants is twelve (12) years.

Parenthetically, in the Certificate of Compliance (COC) issued by the Commission in 2010, the economic life of PGPP and TGPP were at twenty-five (25) years.

Therefore, the Commission determines that the plant assets should be recovered and spread over the period within which said assets are expected to be available for use.

While the AFS provided the power plants' economic life at twelve (12) years, the Commission deems it necessary to adopt the twenty-five (25) years economic life. This is consistent with what has been indicated in the COC as declared by GCGI based on the condition of the said power plants.

#### **1.4. Return on Equity/Weighted Average Cost of Capital**

The project is funded by one hundred percent (100%) equity. All capital contributions were provided by EDC. GCGI's required return on equity (ROE) is twenty-two percent (22%).

The Commission benchmarked the cost of equity with approved PSAs by the Commission in ERC Case Nos. 2011-030 RC<sup>4</sup> and 2011-138 RC<sup>5</sup>, as well as the rate in setting the Feed-in-Tariff (FIT).

The approved cost of equity is 16.44%, computed as follows:

Market Risk Premium	10.13%
Multiply by Re-levered Beta	1.03
Plus Risk Free Rate	6.01%
<b>Cost of Equity</b>	<b>16.44%</b>

The ROE of 16.44% is an after-tax cost of equity which, when the effect of thirty percent (30%) income tax is added back, this would result to a twenty-three percent (23%) pre-tax cost of equity. Since it is higher than GCGI's required ROE, the Commission adopted the twenty-two

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<sup>4</sup> In the Matter of the Application for Approval of the Electricity Supply Agreement (ESA) Between First Catanduanes Electric Cooperative, Inc. (FICELCO) and Catanduanes Power Generation, Inc. (CPGI), with Prayer for the Issuance of Provisional Authority.

<sup>5</sup> In the Matter of the Application for Approval of the Power Sales Agreement as Amended Among South Cotabato II Electric Cooperative, Inc., Conal Holdings Corporation and Sarangani Energy Corporation

percent (22%) return on equity in computing the capital recovery.

### **1.5. Billing Determinant/Saleable Generation**

The PGPP, which is located in Valencia, Negros Oriental Province, consists of two power stations, namely: PGPP I and II. It has a combined installed capacity of 192.5 MW. PGPP I was commissioned in 1983 and comprises of three (3) units, each with an installed capacity of 37.5 MW. On the other hand, PGPP II was commissioned in 1992 and comprises of (4) units with combined installed capacity of 80 MW.

TGPP, which is located in Kananga, Leyte, was commissioned in 1983 and has a total installed capacity of 112.5 MW (3 x 37.5 MW).

GCGI in the computation of its 2010 true cost, proposed a billing determinant of 1,716,960,000 kWh based on the net dependable capacity of both the PGPP and TGPP of 245,000kW and eighty percent (80%) plant capacity factor.

However, GCGI alleged that based on the present condition of its power plants, the estimated plant capacity factor has increased to eighty-six percent (86%). GCGI further alleged that based on this eighty-six percent (86%) plant capacity factor, the plant is estimated to generate an average annual energy of 1,845,732,000 kWh.

On the other hand, the Commission used a billing determinant based on the average kWh sold of 1,908,085,397, as disclosed in GCGI's 2010 and 2011 Generation Company Management Reports (GCMR).

### **1.6. Computation of CRF**

The table below summarizes the difference between GCGI's calculation of CRF and the Commission's recomputed CRF:

<b>Particulars</b>	<b>GCGI's Computation</b>	<b>Commission's Computation</b>
Acquisition Cost (PhP)	10,165,382,657.00*	10,165,337,657.00
Rehabilitation Cost (PhP)	2,975,901,676.00	1,694,266,578.00
Total Capital Cost (PhP)	13,141,284,333.00	11,859,604,235.00
Plant Economic Life (Years)	12	25
Cost of Equity (Pre-Tax)	22%	22%
Annuity (PhP)	3,183,933,045.00	2,627,331,705.00
Billing Determinant	1,716,960,000	1,908,085,397
<b>Capital Recovery Fee (PhP/kWh)</b>	<b>1.8544</b>	<b>1.3769</b>

\* GCGI included 2009 Additions amounting to PhP45,000.00

## **2. Operations and Maintenance Fee (OMF)**

Based on the documents submitted, GCGI proposed an OMF of PhP0.5632/kWh using the actual O&M cost of PhP966,970,503.00, as reflected in its 2010 AFS. Subsequently, it proposed an OMF of PhP0.5165/kWh to reflect its actual O&M cost of PhP953,278,897.00 for the year 2011, as reflected in its 2011 AFS.

The Commission believes that using a two (2)-year cycle is more reflective of the O&M of the power plants than using a single year. Thus, the Commission adopts the average OMF using the total actual O&M cost of PhP2,123,841,102.00, as reflected in GCGI's 2010 and 2011 AFS.

In computing the total O&M cost of PhP2,123,841,102.00, the Commission excluded the Replacement Power Cost, Depreciation, and Provisions for Probable Losses, Impairment of Parts and Supplies Inventories and Doubtful Accounts.

### **2.1. Computation of OMF**

The table below summarizes the Commission's recomputed OMF:

<b>Particulars</b>	<b>Commission's Computation</b>
Operations and Maintenance (PhP)	1,061,920,551.00 <sup>1</sup>
Billing Determinant (kWh)	1,908,085,397 <sup>2</sup>
<b>O&amp;M Fee (PhP/kWh)</b>	<b>0.5565</b>

Note: <sup>1</sup> Average O&M cost for 2010 and 2011.

<sup>2</sup> Average kWh generation for 2010 and 2011.

### **3. Fuel Fee (Geothermal Steam)**

Based on the documents submitted, GCGI proposed a Fuel Fee of PhP3.3302/kWh. This is the effective geothermal steam cost billed by EDC to GCGI for the June 2011 billing period. However, in its updated computation, GCGI proposed a Fuel Fee of PhP3.35/kWh based on the actual cost, as reflected in its 2011 AFS.

In determining the appropriate fuel fee that GCGI should charge to VECO, the Commission determined that the appropriate index that Applicant must use is the Philippine CPI. The same index has been historically used in determining geothermal prices.

The CPI is a generally accepted and established index that provides for a more stable price. It lessens the risk of exposing the Applicants and, ultimately, the consumers to the volatility of price levels based in economic changes.

The use of Philippine CPI would also allow GCGI and other parties to predict the movement of its steam price. Consequently, it would aid the concerned parties in developing their strategies to manage the possible risks that such price movement may entail.

Upon evaluation, the Commission has determined that the Fuel Fee or Steam Fee is composed of a Fixed Component in the amount of PhP0.1741/kWh and a Variable Component in the amount of PhP2.5925/kWh.

The fixed component is not subject to indexation. On the other hand, the variable component is subject to escalation/de-escalation using the Philippine CPI, and should be computed in accordance with the formula provided under Annex "G" of the PSA.

**III. EVALUATION OF THE  
NON-RATE PROVISIONS  
OF THE PSA**

A thorough evaluation of the PSA entered into by GCGI with LEYECO V revealed that the non-rate provisions thereof are reasonable and in accordance with the accepted industry practice, except the following provisions:

- a. Section 16.21, which states:

“Buyer shall solely bear all risks should ERC disallow Buyer from recovering through its retail rates the payments for the energy taken in accordance with the terms and conditions herein.” (Emphasis Ours)

- b. Section 16.22, which states:

“Should the ERC or any other relevant governmental instrumentality order or decide that any provision relating to generation costs, charges, adjustments or energy off-take under this Agreement is disapproved or is approved subject to modifications (Conditional Approval), the Parties agree to negotiate in good faith with a view to amending this Agreement in order to comply with the terms of such order or decision of the ERC or such other relevant governmental instrumentality. Any amendments to this Agreement agreed by the Parties shall be effective upon the approval of such amendments by the ERC or such other relevant governmental instrumentality, as the case maybe. Until such amendments have been agreed to by the Parties and approved by the ERC, each Party shall continue to strictly perform their respective obligations under the terms and conditions of this Agreement, except that the Contracted Energy shall be charged at the higher of: (a) the rate approved by the ERC, or (b) the prevailing time-of-use generation rates plus other charges and adjustments applicable to the Visayas Grid which are approved by the ERC. In the event that the Parties fail to reach any agreement on such amendments, Seller shall have the right (but not the obligation) to terminate this Agreement on at least thirty (30) Day’s prior notice, and the provisions of the second paragraph of Section 13.2 shall apply. In case of Conditional Approval, Seller and Buyer may continue implementing this Agreement with



the modified provisions. In any event, Buyer shall not be entitled to a return or to refuse payment of such generation costs, charges, adjustments or energy off-take under the disapproved or provisionally approved provisions already billed by or paid to Seller. Any consequent refund to Buyer's customers ordered by the ERC shall be for the sole account of Buyer. (Emphasis Ours)

The Commission believes that this Decision should bind both contracting parties and that their PSA shall not be rendered ineffective or nugatory by any termination or "walk-away" clause in the PSA by reason of this Decision. Thus, the Commission deems it prudent to disallow the foregoing provisions.

The Commission has a mandate to protect the interest of the electricity consumers insofar as they are affected by the rates, by ensuring that the tariffs imposed are consistent with the principle of full recovery of prudent and reasonable costs.

After a thorough evaluation of the documents submitted and the testimonies of the witnesses presented, the Commission finds that the approval and implementation of the PSA will be beneficial to VECO's member-consumers by way of reliable, continuous and efficient supply of power within its franchise area at reasonable costs as mandated by the EPIRA [Section 2. Declaration of Policy - (b) "to ensure the quality, reliability, security and affordability of the supply of electric power"].

**WHEREFORE**, the foregoing premises considered, the *Application* filed by Visayan Electric Company, Incorporated (VECO) for the approval of its Power Supply Agreement (PSA) with Green Core Geothermal Incorporated (GCGI) is hereby **APPROVED WITH MODIFICATION** and subject to the following conditions:

1. The applicable Basic Energy Charge (BEC) shall be as follows:

<b>COMPONENT</b>	<b>PhP/kWh</b>
Plant Capital Recovery Fee (P-CRF)	1.3769
Steam-Fixed Component (S-FC)	0.1741
Plant Operations and Maintenance (P-O&M)	0.5565
Steam-Variable Component (S-VC)	2.5925
<b>TOTAL BEC</b>	<b>4.7000</b>

2. The P-CRF and S-FC shall not be subject to any indexation. On the other hand, the P-O&M and S-VC shall be indexed to Philippine CPI. The indexation to Philippine CPI shall be in accordance with the Escalation/De-escalation Formula provided under Annex "G" of the Power Supply Agreement (PSA).
  
3. GCGI's actual cost of operation, including the actual rehabilitation cost, shall be audited by an Independent Third Party in accordance with the rules to be promulgated by the Commission and the approved rates herein shall be adjusted, if warranted. The test of reasonability shall NOT be the actual cost incurred but *"whether or not such cost is incurred based on a good utility practice and comparable or within the level of the power plants similarly situated to that of GCGI"*. Further, the cost of audit shall be shouldered by GCGI.

The Commission further **RESOLVES** to:

- a. **DISALLOW** all termination or "walk-away" clauses incorporated in the PSA; and
  
- b. **DIRECT** VECO to **INCLUDE** in the monthly calculation of its generation rate in accordance with the Automatic Generation Rate Adjustment (AGRA) Rules, the indices and references thereof used by GCGI in the O&M and Fuel Fees calculation;
  
- c. **DIRECT** GCGI to **SUBMIT** its latest Audited Financial Statements (AFS), as soon as it becomes available; and

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- d. **DIRECT** VECO and GCGI to **SUBMIT**, within **fifteen (15) days** from receipt hereof, their proposed refund or recovery scheme, as the case may be, for the difference between the final approved rates and the provisionally implemented rates.

**SO ORDERED.**

Pasig City, 15 June 2017.

**JOSE VICENTE B. SALAZAR\***  
*Chairman and CEO*

  
**ALFREDO J. NON**  
*Commissioner*

  
**GLORIA VICTORIA C. YAP-TARUC**  
*Commissioner*

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

  
**GERONIMO D. STA. ANA**  
*Commissioner*

LS: MVM/LSR/AFV //

ROS: ALC/ECE

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\*The Chairman was placed on preventive suspension as per Order of the Office of the President (OP-DC Case No. 17-D- 094) dated 02 May 2017 and received on 04 May 2017.

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