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

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE POWER SUPPLY AGREEMENT (PSA) BETWEEN VISAYAN ELECTRIC COMPANY, INCORPORATED (VECO) AND THERMA VISAYAS, INCORPORATED (TVI)

ERC CASE NO.2015-006 RC

VISAYAN ELECTRIC COMPANY, INCORPORATED (VECO) AND THERMA VISAYAS, INCORPORATED (TVI),

Applicants.

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ORDER

On January 14, 2015, Visayan Electric Company, Incorporated (VECO) and Therma Visayas, Incorporated (TVI) filed an application for approval of their Power Supply Agreement (PSA).

In the said application, VECO and TVI alleged, among others, that:

The Applicants

1. VECO is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at J. Panis Street, Banilad, Cebu City. It is a duly authorized distribution utility of the electric light and power distribution service 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, (Franchise Area) pursuant to its franchise under Republic Act No. 9339;

2. TVI is a generation company duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with office address at Aboitiz Corporate Center, Gov. Cuenco Ave., Kasambangan Cebu City. It is joining VECO as co-applicant in this case in order to assist the latter in securing approval of the terms and conditions of the PSA entered into by and between them on September 1, 2014;

Statement of Facts

3. VECO anticipates that by 2018, the demand of customers covered under its Franchise Area will grow to as much as 550 MW. This is from the projection that the growth of demand is rapidly rising at an average of five percent (5%) or approximately 50 MW per year;

4. This stems from the forecasted hike in the number of household customers, the expansion of existing businesses in the covered Franchise Area and entry of new industrial customers;

5. With the imminent expiration of several PSAs presently supplying the electricity requirements in the Franchise Area, VECO will be left with a deficiency in its generation requirements, to the detriment of its customers;

6. Considering the foregoing, VECO, exercising due diligence and foresight, to cover the rising demand, has been evaluating its supply options in the near future. In its selection process, it took into account the supply availability, price and capability to match its load requirements. In so doing, it entered into negotiations with TVI which is currently constructing a 2 x 150 MW (net) circulating fluidized bed (CFB) coal-fired plant in Sitio Looc, Barangay Bato, Toledo City, Cebu (the Plant) which is expected to come online in 2017;

7. On September 1, 2014, negotiations between them culminated into the execution of the PSA for the supply of

150 MW for a period of fifteen (15) years. VECO took into account the size, term and cost of the capacity offered by TVI such that it is ensured of the security, reliability and affordability of the supply of its electricity requirements during the term of the PSA;

8. Currently, VECO has faced some difficulty meeting the supply deficit expected to result very soon (on December 25, 2014) from the expiration of its Contract for Supply of Electric Energy (CSEE) with the National Power Corporation. It has had to solicit from, and negotiate with, multiple suppliers, including from Luzon, if only to address the supply following December 25, 2014. However, notwithstanding that it has entered into several contracts with suppliers for the gap resulting from the expiration of the CSEE, these contracts do not address the capacity needed before 2018 when demand in the Franchise Area is expected to have grown. Hence, by entering into the PSA as early as now, it ensures that the electricity requirements of the Franchise Area are timely met by the end of 2017;

Terms of the PSA

9. **Salient Terms.** The PSA contains the following salient terms and conditions:

    9.1. **Term.** The PSA has a term commencing from the date of its execution until fifteen (15) years after Operations Effective Date which is the date when the obligation of TVI to deliver, and VECO to receive, Contract Capacity and Contract Energy, shall commence, provided, that, the following conditions are satisfied: a) Commercial Operations Date of Unit 1 of the Plant has occurred; b) receipt by TVI of VECO's Security Deposit; c) receipt by TVI of the final approval of the PSA no later than one (1) year after Effective Date; d) receipt by TVI of the full payment of the Commissioning Energy Charge due from VECO as of date of the latter's receipt of the Commercial Operations Date Notice; e) receipt by TVI of a copy of the Market Participation Agreement between VECO and the Philippine Electricity Market Corporation (PEMC); and f) the representations and warranties of VECO shall be true and correct in all material respects as of the Operations Effective Date;[1]

9.2. **Contract Capacity/Energy.** The energy contracted by VECO under the PSA is equivalent to the energy associated with the Contract Capacity of 150 MW, as set out in the Contract Energy Schedule of the PSA. TVI shall deliver, and VECO shall receive, Contract Energy at the Metering Point which shall be the high-voltage side of the transformer at the Plant.[2] The ESA provides that during Scheduled and Unscheduled Outages within the Outage Allowance, TVI will not be required to supply replacement capacity and energy. In such scenario, VECO, at its own cost, shall source the replacement capacity and energy from other sources, which may include the Wholesale Electricity Spot Market (WESM). On the other hand, during planned and unplanned outages beyond the allowance, TVI is responsible for providing replacement power at contract rate. Further, in case of Force Majeure affecting TVI, it shall be VECO's obligation to source the replacement capacity and energy from other sources, at no cost to TVI;

9.3. **Adjustments to Contract Capacity/Energy.** VECO may request an increase in the Contract Capacity and/or Contract Energy in respect of a Billing Period by written notice at least thirty (30) days before the intended date of effectivity and subject to TVI's acceptance or refusal. In case of approval, the additional Contract Capacity and/or Contract Energy shall be paid by VECO at the Contract Price, provided, that, the increase in the Contract Capacity and/or the Contract Energy shall not be effective until VECO posts an additional Security Deposit;

Any proposed adjustments (increase/decrease) to the Contract Capacity and/or Contract Energy which is intended to apply to the succeeding contract year shall be sent by VECO in writing to TVI no later than

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[1] Article 5.2, PSA
[2] Article 7.3, PSA

sixty (60) days prior to each anniversary of the Operations Effective Date, subject to TVI's approval and to the payment of Contract Price. Notwithstanding, at any time during the Contract Period, VECO may also send a written request to TVI to increase the Contract Capacity and/or Contract Energy, no later than six (6) months prior to the effectivity of the proposed increase, subject to TVI's approval and to the payment of Contract Price;

A decrease in the Contract Capacity shall cause VECO to compensate TVI in the amount of the Buy-Out Charge, computed as follows:

$$\mathrm{BOC} = \sum_{r=1}^{\mathrm{RCP}} \left[\frac{\left(\left\{\mathrm{CRF} * \left[(0.475) + \left(0.525 * \frac{\mathrm{FX_{crf}}}{\mathrm{FX_0}}\right)\right]\right\} + \left\{\mathrm{ICRF} * \left[(0.61) + \left(0.39 * \frac{\mathrm{FX_{icrf}}}{\mathrm{FX_0}}\right)\right]\right\}\right) * (\mathrm{CC} - \mathrm{RCC})}{\left(1 + \frac{8.75\%}{12}\right)^r} \right]$$

Where:

CC	=	Contract Capacity in kW, as indicated in Table 1 of Schedule 7.1 of the PSA
RCC	=	Reduced contract capacity in kW
ICRF	=	Interconnection Capital Recovery Fee in PhP/kW-month, as indicated in Table 1 of this Schedule, if Customer is liable to pay $\mathrm{ICRF_{month}}$ in accordance with Schedule 3.1(b) (General Conditions), item 5a, during the affected buy-out period; otherwise, PhP0/kW-month
RCP	=	Number of Billing Periods in the remaining Contract Period
$\mathrm{FX_o}$	=	Base PhP/USD exchange rate, as indicated in Table of Schedule 7.1 of the PSA

FX_{crf} = the weighted average PhP/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant Engineering, Procurement and Construction (EPC) Contract

FX_{icrf} = the weighted average PhP/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant EPC Contract

9.4. **Stages of Supply.** TVI shall supply power to VECO in various stages, as follows:

9.4.1. **Pre-Commercial Operations Date of Unit 1 of the Plant.** VECO shall purchase the proportionate net electrical output of Unit 1 of the Plant, subject to the payment of Commissioning Energy Charge as provided in Schedule 7.1 of the PSA; and

9.4.2. **Upon Commercial Operations Date of Unit 1 of the Plant**. TVI shall supply and deliver Contract Capacity and Contract Energy (whether from the capacity of the Power Plant or the power plants owned or operated by any of its affiliates, WESM, if any, or any other supplier) to VECO during the Billing Periods covered by the PSA;

9.5. **Share in Minimum Load Requirement.** In all intervals, VECO shall nominate no less than the Share in Minimum Load Requirement of 60 MW, subject to the conditions under the PSA in case the aggregate nominated energy of all customers of TVI is less than the Minimum Load Requirement due to Force Majeure event affecting one or more customers;

9.6. **Contract Price.** VECO shall pay the Contract Price which consists of variable and fixed charges, subject to annual adjustments. The Contract Price shall depend on whether the power is delivered before Commercial Operations Date or from Commercial Operations Date of Unit 1 of the Plant. The formula for computing these Monthly Electricity Fees are computed under the PSA based on the following:

A. Beginning on Commercial Operation Date

Monthly Electricity Fees = Fixed Fees$_{month}$ + Variable Fees$_{month}$ + Start up Charges + Taxes and Other Charges

All computations on payments to Supplier shall not be rounded off, except for the final PhP amount, which shall be rounded off to the nearest Philippine centavo. The Monthly Electricity Fees shall be subject to the applicable value-added tax (VAT);

Fixed Fees$_{month}$ = CRF$_{month}$ + FOM$_{month}$

Variable Fees$_{month}$ = VOM$_{month}$ + Fuel$_{month}$

a. CRF$_{month}$

The Customer shall pay the Supplier the Monthly Capital Recovery Fee (CRF$_{month}$) for the current Billing Period in accordance with the following formula:

$$CRF_{month} = CRF * \left[(0.475) + \left(0.525 * \frac{FX_{crf}}{FX_o}\right)\right] * CC * Adj$$

Where:

CC = Contract Capacity in kW, as indicated in Table 1 of Schedule 7.1 of the PSA

CRF = Capital Recovery Fee in PhP/kW-month, as indicated in Table 1 of Schedule 7.1 of the PSA

Adj = Force Majeure adjustment with the following formula:

$$\text{Adj} = \frac{(\text{no. of hours during the current Billing Period}) - \text{FM}}{(\text{no. of hours during the current Billing Period})}$$

Where:

FM = Number of hours of Force Majeure event during the current Billing Period

FX_o = Base PhP/USD exchange rate, as indicated in Table 1 of Schedule 7.1 of the PSA

FX_{crf} = Weighted average PhP/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant EPC Contract

b. FOM_{month}

The Customer shall pay the Supplier the Monthly Fixed Operations and Maintenance Fees (FOM_{month}) for the current Billing Period in accordance with the following formula:

$$\mathbf{FOM_{month}} = \left[\left(0.25 * \text{FOM} * \text{CC} * \frac{\text{USCPI}_m}{\text{USCPI}_o} * \frac{\text{FX}_m}{\text{FX}_o}\right) + \left(0.75 * \text{FOM} * \text{CC} * \frac{\text{RPCPI}_m}{\text{RPCPI}_o}\right)\right] * \text{Adj}$$

Where:

CC = As previously defined

FOM = Fixed Operations and Maintenance Fee in PhP/kW-month, as indicated in Table 1 of this Schedule

FX_o = As previously defined

$USCPI_o$ = Base United States (US) Consumer Price Index (CPI) – All Items (1982-84=100), as indicated in Table 1 of this Schedule

$RPCPI_o$ = Base Philippine CPI for All Income Households in the Philippines – All Items (2006=100), as indicated in Table 1 of this Schedule

FX_m = Average PhP/USD exchange rate of the last three (3) calendar months prior to Billing Period for which the Invoice is being prepared, as published in the Bangko Sentral ng Pilipinas (BSP) website

$USCPI_m$ = US CPI – All Items (1982-84=100) published, as of the current Billing Period for which the Invoice is being prepared

$RPCPI_m$ = Philippine CPI for All Income Households in the Philippines – All Items (2006=100) published as of the current Billing Period for which the Invoice is being prepared

Adj = As previously defined

c. VOM_{month}

The Customer shall pay the Supplier the Monthly Variable Operations and Maintenance Fees (VOM_{month}) for the current Billing Period in accordance with the following formula:

$$VOM_{month} = \left[\left(0.25 * VOM * \frac{USCPI_m}{USCPI_o} * \frac{FX_m}{FX_o}\right) + \left(0.75 * VOM * \frac{RPCPI_m}{RPCPI_o}\right)\right] * TED$$

Where:

VOM = Variable Operations and Maintenance Fee in PhP/kWh, as indicated in Table 1 of this Schedule

FX_o = As previously defined

$USCPI_o$ = As previously defined

$RPCPI_o$ = As previously defined

FX_m = As previously defined

$USCPI_m$ = As previously defined

$RPCPI_m$ = As previously defined

TED = Total Energy Delivered to the Customer by the Supplier in kWh during the current Billing Period

d. $\mathbf{Fuel_{month}}$

The Customer shall pay the Supplier the Monthly Fuel Fees ($Fuel_{month}$) for the current Billing Period in accordance with the following formula:

$$\mathbf{Fuel_{month}} = \left\{ \left[\frac{(\text{Fuel Costs} + \text{Freight Costs})}{1{,}000} \right] * CR * FX_m \right\} * TED$$

Where:

$$\text{Fuel Costs} = N_M * \frac{ACV}{6{,}300 \text{ kcal/kg}}$$

ACV = Average calorific value, higher heating value, of coal in kcal/kg used in the current Billing Period

Freight Costs = Actual transport costs in USD/MT which include but not limited to port charges, fuel, insurance, wharfage fees, demurrage, excise tax, handling, customs brokerage fees, customs duties, stevedores and arrastre costs, tuggage costs, survey fee, towage, pilotage, light dues, mooring and unmooring, berthing and deberthing, and tonnage dues and sundries on the coal used during the current Billing Period. Freight costs shall include all other existing and future taxes, fees, imposts and other charges that may be imposed on the transport of coal

FX_m = As previously defined

N_m = Average Newcastle Index (USD/MT) of the last three (3) calendar months prior to the Billing Period for which the Invoice is being prepared, as posted by globalCOAL on the website www.globalcoal.com or its successor or, if globalCOAL ceases to report the Newcastle Index, an agreed upon replacement source that reports the Newcastle Index shall be adopted by the Parties

CR = Consumption rate at 0.7 kg/kWh, escalated at one percent (1%) annually

TED = As previously defined

e. Start up Charges

The cost for starting up each unit of the Power Plant after a period of shutdown due to Scheduled or

Unscheduled Outages attributable to the Supplier shall be for the account of the Supplier. On the other hand, the costs for each start up of a unit of the Power Plant after a period of shutdown due to any other reason shall be for the account of the Customer and shall be charged in accordance with the following formula:

<u>Cold Start up</u> *(where plant downtime is beyond 8 hours)*

<u>Unit 1</u>

$$\text{Start up Charges} = 143{,}500 \text{ liters} * DO_m * \frac{CC}{TCC}$$

<u>Unit 2</u>

$$\text{Start up Charges} = 143{,}500 \text{ liters} * DO_m * \frac{CC}{TCC}$$

<u>Warm Start up</u> *(where plant start up occurs after less than 8 hours of downtime)*

<u>Unit 1</u>

$$\text{Start up Charges} = 107{,}600 \text{ liters} * DO_m * \frac{CC}{TCC}$$

<u>Unit 2</u>

$$\text{Start up Charges} = 107{,}600 \text{ liters} * DO_m * \frac{CC}{TCC}$$

<u>Hot Start up</u> *(where plant start up occurs after less than 2 hours of downtime)*

<u>Unit 1</u>

$$\text{Start up Charges} = 71{,}800 \text{ liters} * DO_m * \frac{CC}{TCC}$$

Unit 2

$$\text{Start up Charges} = 71{,}800 \text{ liters} * DO_m * \frac{CC}{TCC}$$

Where:

TED	=	As previously defined
DO_m	=	Actual price of diesel oil in PhP/liter, as billed by the supplier of diesel oil applicable for the Billing Period for which the Invoice is being prepared
CC	=	As previously defined
TCC	=	Total contracted capacity in kW of the Supplier

In the event that revisions are made on the above indices, including any shift made in the base year and other adjustments to such index made by the relevant authorized entity, its successor-in-interest, there shall be a corresponding change in the base index such that the use of the revised index will yield the equivalent values as the use of the original base index;

In the event that the index: a) becomes unavailable, b) is replaced by a new benchmark rate as determined by the relevant authorized entity, its successor in interest, or c) ceases to exist, or d) in the reasonable determination of either Party, fails to reflect the real costs and forms an integral part of this price mechanism, the Parties shall agree to adopt a new price index;

f. Taxes and Other Charges

In addition to VAT, these include all existing and future taxes, fees and imposts (and any increase or adjustments thereon), real property taxes, local business taxes, transmission charges and other charges imposed on the Power Plant, including the charges indicated in item 5 (a) of Schedule 3.1(b) of the Agreement, in Philippine Pesos;

These also include the Interconnection Capital Recovery Fee (ICRF) which shall be paid in accordance with Schedule 3.1(b) (General Conditions), item 5a. For purposes of the Monthly Interconnection Recovery Fee ($ICRF_{month}$) for the current Billing Period, the Customer shall pay in accordance with the following formula:

$$ICRF_{month} = ICRF\left[(0.61) + \left(0.39 * \frac{FX_{icrf}}{FX_o}\right)\right] * CC * Adj$$

Where:

CC = As previously defined

ICRF = Interconnection Recovery Fee in PhP/kW-month, as indicated in Table 1 of Schedule 7.1, subject to further adjustments based on the actual connection configuration and costs of the Interconnection Facilities. The Parties shall execute a supplemental agreement to reflect the adjusted ICRF (the Supplemental Agreement). Within thirty (30) days from execution of the Supplemental Agreement, the Parties shall file the corresponding application for approval thereof by the Commission

FX_o = As previously defined

FX_{icrf} = Weighted average PhP/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant EPC Contract

Adj = As previously defined

B. Before Commercial Operation Date

Monthly Electricity Fees = Commissioning Charges + Other Taxes and Charges

All computations on payments to Supplier shall not be rounded off, except for the final PhP amount, which shall be rounded off to the nearest Philippine centavo. The Monthly Electricity Fees shall be subject to the applicable VAT;

a. Commissioning Charges

The Customer shall pay the Supplier the Commissioning Charges subject to the applicable VAT for electricity supplied during the period of testing and commissioning of the Power Plant in accordance with the following formula:

Commissioning Charges = VOM_{month} + $Fuel_{month}$

Where:

VOM_{month} = Computed in accordance with item A.III of this Schedule

$Fuel_{month}$ = Computed in accordance with item A.IV of this Schedule

b. Taxes and Other Charges

Taxes and Other Charges = As previously defined

The agreed amounts relevant to the computation of Contract Price are as follows:

Details	Unit	Amount
CC	kW	150,00
Minimum Load Requirement (40%)	kW	60,000
CRF	Php/kW-month	1,514
ICRF	PhP/kW-month	120
FOM	PhP/kW-month	229
VOM	PhP/kWh	0.2977
FX_O	PhP/USD	47.00
$USCPI_O$		233.049
$RPCPI_O$		136.80

9.7. **Termination Fee.** In the event that the PSA is terminated by TVI on the grounds of: a) failure of VECO to pay the Electricity Fees or any other amounts payable under the PSA; b) failure by VECO to replenish its Security Deposit in full; c) breach by VECO of any of the provisions of the PSA and its failure to cure the breach within a period of thirty (30) days from receipt of the notice of the breach; and d) termination by TVI of the PSA upon the occurrence of any events of default under Article 17.2 of the PSA, VECO shall be liable to pay a termination fee computed using the following formula:

$$TF = \sum_{r=1}^{RCP} \left[\frac{\langle \left\{ CRF * \left[(0.475) + \left(0.525 * \frac{FX_{crf}}{FX_0} \right) \right] \right\} + \left\{ ICRF * \left[(0.61) + \left(0.39 * \frac{FX_{icrf}}{FX_0} \right) \right] \right\} \rangle * CC}{\left(1 + \frac{8.75\%}{12} \right)^r} \right]$$

Where:

Adj	=	As previously defined
CC	=	Contract Capacity in kW, as indicated in Table 1 of Schedule 7.1 of the PSA
CRF	=	Capital Recovery Fee in PhP/kW-month, as indicated in Table 1 of Schedule 7.1 of the PSA

ICRF = Interconnection Capital Recovery Fee in PhP/kW-month, as indicated in Table 1 of Schedule 7.1, if Customer is liable to pay $ICRF_{month}$ in accordance with Schedule 3.1(b) (General Conditions), item 5a, during the affected termination period; otherwise, PhP0/kW-month

RCP = Number of Billing Periods in the remaining Contract Period

FX_o = Base PhP/USD exchange rate, as indicated in Table 1 of Schedule 7.1 of the PSA

FX_{crf} = Weighted average Php/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant EPC Contract

FX_{icrf} = Weighted average Php/USD exchange rate computed based on the actual cost of securing USD for each payment of dollar-denominated sums due under the relevant EPC Contract

10. **Rate Implication.** An analysis was conducted to determine the impact of the implementation of the PSA on VECO's generation costs, a copy of which is attached to the application. The following table shows the expected rate impact in the event that VECO procures from TVI when the Power Plant commences commercial operation in 2018 vis-à-vis VECO procuring from other sources without TVI:

	Generation Charge		
	Without TVI	**With TVI**	**Impact**
Total (Php/kWh)	**6.1333**	**5.4990**	**(0.63)**

* Based on average kWh generation purchases of VECO from April to July 2014

11. In support of the instant application, the following documents are attached as annexes thereof:

Annex	Document
A	PSA
B	Securities and Exchange Commission (SEC) Certificate of Registration of TVI
C	Articles of Incorporation of TVI
D	General Information Sheet (GIS) of TVI
E	Board of Investments (BOI) Certificate of Registration
F	Relevant Technical and Economic Characteristics of the Plant (Indicative)
G	Proposed Fuel Procurement Process
H	Latest Audited Financial Statements (AFS) of TVI
I	Environmental Compliance Certificate (ECC)
J	Sources of Funds/Financial Plans
K	Purchased Power Rate
L	Transmission Service Agreement (TSA) between VECO and the National Transmission Corporation (TRANSCO)
M	VECO's Distribution Development Plan (DDP)
N	Affidavit of Mr. Dennis Verallo on VECO's Procurement Process
O	Rate Impact Analysis
P	Executive Summary of the PSA

12. Pursuant to ERC Resolution No. 16, Series of 2014, TVI shall file the necessary application for a Certificate of Compliance (COC) no later than three (3) months prior to the target date of testing and commissioning of the Plant;

Motion for Confidential Treatment of Information

13. Under Rule 4 of the ERC Rules, the Commission may, upon request of a party and determination of the existence of conditions which would warrant such remedy, treat certain information submitted to it as confidential. Pursuant thereto, it is requested that the proposed Fuel Procurement Process (Annex "G"), Sources of Funds/Financial Plans (Annex "J") and

Computation of the Purchased Power Rate (Annex "K") be treated as confidential and, accordingly, not be disclosed to persons other than officers and staff of the Commission, as may be necessary in the evaluation of the application;

14. These documents contain certain non-public, proprietary information, data and calculations involving business operations and financial trade secrets reflecting TVI's investment and business calculations. These are not generally available to, or already in the possession of the Commission. These documents bear the mark "Confidential" in each and every page and are placed in a sealed envelope, marked "Confidential"; and

Prayer

15. Thus, they pray that:

15.1. The PSA dated November 6, 2014, including the rates and charges set out in paragraphs 10.2 and 10.6 of the application (herein 9.2 and 9.6), be approved with finality; and

15.2. An Order be issued: a) treating **Annexes "G", "J,"** and **"K"** and the information contained therein as confidential; b) directing their non-disclosure to persons other than the officers and staff of the Commission, pursuant to Rule 4 of the ERC Rules; and c) prescribing the guidelines for the protection thereof.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **March 17, 2015 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at ERC Visayas Field Office, St. Mary's Drive, Banilad, Cebu City.**

VECO and TVI are hereby directed to cause the publication of the attached Notice of Public Hearing, at their own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. They are also directed to inform the customers within VECO's franchise area, by any other means available and appropriate, of the filing of the instant application, their reasons therefor, and of the scheduled hearing thereon.

Let copies of the application, this Order and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearing.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governor of the Province of Cebu and the Mayors of the Cities and Municipalities within VECO's franchise area for the appropriate posting thereof on their respective bulletin boards.

VECO and TVI are hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, VECO and TVI must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

VECO and TVI and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-trial Briefs containing, among others:

a) A summary of admitted facts and proposed stipulation of facts;

b) The issues to be tried or resolved;

c) The documents or exhibits to be presented, stating the purposes and proposed markings therefore; and

d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-trial Brief.

Failure of VECO and TVI to submit the required Pre-trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from said date of cancellation.

As part of the pre-trial conference, VECO and TVI must also be prepared to make an expository presentation of their application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the customers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, February 2, 2015.

FOR AND BY AUTHORITY OF THE COMMISSION:

ZENAIDA G. CRUZ-DUCUT
Chairperson

nm/VECO and TVI/PSA/2015-006 RC/initial order

Copy Furnished:

1. **J.P. Garcia & Associates**
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   Counsel for VECO
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   Mindanao Avenue, Cebu Business Park, Cebu City

2. **Attys. Consolacion C. Mercado, Hyacinth E. Rafael & Lew Carlo L. Lopez**
   Counsel for TVI
   16th Floor, NAC Tower, 32nd Avenue,
   Bonifacio Global City, Taguig City

3. **Visayan Electric Company, Incorporated (VECO)**
   J. Panis St., Banilad, Cebu City

4. **Office of the Solicitor General**
   134 Amorsolo St., Legaspi Village, Makati City

5. **Office of the Commission on Audit**
   Don Mariano Marcos Avenue, Diliman, Quezon City

6. **The Committee On Energy**
   Senate of the Philippines
   GSIS Building, Roxas Blvd., Pasay City

7. **The Committee On Energy**
   House of Representatives
   Batasan Hills, Quezon City

8. **Office of the City Mayor**
   Cebu City 6000

9. **Office of the City Mayor**
   Mandaue City 6014

10. **Office of the City Mayor**
    Naga City 6037

11. **Office of the City Mayor**
    Talisay City 6045

12. **Office of the Municipal Mayor**
    Consolacion, Cebu 6001

13. **Office of the Municipal Mayor**
    Lilo-an, Cebu 6002

14. **Office of the Municipal Mayor**
    Minglanilla, Cebu 6046

15. **Office of the Municipal Mayor**
    San Fernando, Cebu 6018

16. **Office of the Governor**
    Province of Cebu

17. **Cebu Chamber of Commerce and Industry**
    CCCI Center, corner 11th and 13th Avenues,
    North Reclamation Area, Cebu City

18. **Mandaue Chamber of Commerce and Industry**
    3rd Floor, FCB Financial Center Building,
    A.C. Cortes Avenue corner P. Burgos St.,
    Alang-alang, Mandaue City

19. **Philippine Chamber of Commerce and Industry (PCCI)**
    3rd Floor, Chamber and Industry Plaza (CIP),
    1030 Campus Avenue corner Park Avenue,
    McKinley Town Center, Fort Bonifacio, Taguig City