

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



IN THE MATTER OF THE  
APPLICATION FOR APPROVAL  
OF THE POWER SALES  
AGREEMENT (PSA) BETWEEN  
ZAMBOANGA CITY ELECTRIC  
COOPERATIVE, INC.  
(ZAMCELCO) AND WESTERN  
MINDANAO POWER  
CORPORATION (WMPC), WITH  
PRAYER FOR PROVISIONAL  
AUTHORITY

ERC CASE NO. 2015-157 RC

ZAMBOANGA CITY ELECTRIC  
COOPERATIVE, INC.  
(ZAMCELCO) AND WESTERN  
MINDANAO POWER  
CORPORATION (WMPC),  
Applicants.

x ----- x

DOCKETED  
Date: SEP 30 2015  
By: *W*

## ORDER

On August 25, 2015, Zamboanga City Electric Cooperative, Inc. (ZAMCELCO) and Western Mindanao Power Corporation (WMPC) filed a joint application for the approval of their Power Sales Agreement (PSA), with Prayer for Provisional Authority.

In the said joint application, ZAMCELCO and WMPC alleged, among others, the following:

### THE APPLICANTS

1. ZAMCELCO is a non-stock, non-profit electric cooperative organized and existing under Presidential Decree No. 269,

as amended, with office address at MCLL Highway, Putik, Zamboanga City. It has a franchise to distribute electricity in the City of Zamboanga.

A copy of its Certificate of Franchise is attached to the joint application as Annex "A";

2. WMPC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with office address at 4<sup>th</sup> Floor, Alphaland Southgate Tower, EDSA corner 2258 Don Chino Roces Avenue Extension, Makati City.

Copies of its Certificate of Incorporation, Articles of Incorporation and By-Laws and General Information Sheet are attached to the joint application as Annex "B" and series;

#### **NATURE OF THE APPLICATION**

3. Pursuant to Rule 20 (B) of the ERC Rules of Practice and Procedure, approved by the Commission on June 22, 2006 in Resolution No. 38, Series of 2006, the joint application is submitted to the Commission for its review and approval of the PSA dated May 27, 2015 between ZAMCELCO and WMPC.

A copy of the PSA is attached to the joint application as Annex "C";

#### **COMPLIANCE WITH PRE-FILING REQUIREMENTS**

4. In compliance with Rule 6 of the ERC Rules of Practice and Procedure, ZAMCELCo and WMPC furnished the Sangguniang Panlungsod of Zamboanga City a copy of the present joint application with all its annexes and accompanying documents.

The corresponding proof of receipt is attached to the joint application as Annex "D";

5. ZAMCELCO and WMPC have caused the publication of the joint application in its entirety, excluding its annexes, in a newspaper of general circulation within ZAMCELCO's franchise area.

Copies of the newspaper and the corresponding Affidavit of Publication are attached to the joint application as Annexes "E" and "E-1," respectively;

#### **STATEMENT OF FACTS**

6. **Shortage of Power Supply in the Mindanao Grid.** The Mindanao Grid is currently facing a deficit in its power supply, which may worsen over time. The generating capacity in the grid is no longer sufficient to meet the power requirements of Mindanao;
7. The Power Sector Assets and Liabilities Management Corporation (PSALM), which took over all the generating assets of the National Power Corporation (NPC) pursuant to Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001" (EPIRA), supplies the bulk of the power requirements of Mindanao;
8. PSALM has drastically reduced its power supply commitments to distribution utilities in Mindanao, including ZAMCELCO;
9. As a result, Mindanao has experienced significant power outages, adversely affecting local businesses and the daily lives of all electricity consumers. The lack of sufficient and reliable power supply has long been a barrier to much needed capital investment that would spur the local economy;
10. PSALM is expected to reduce further its firm supply by 2016 when some of its generating capacity will be privatized;
11. **NPC Certification.** ZAMCELCO has requested a certification from NPC on whether its contracted capacity and energy are expected to be available for ZAMCELCO during the term of the PSA.

A copy of the said request is attached to the joint application as Annex "F";

12. **Insufficiency of ZAMCELCO's Power Supply.** At present, ZAMCELCO's power supply is far from sufficient to meet the power requirements of Zamboanga City.

12.1. For instance, for 2016, ZAMCELCO has a projected peak demand of 95.3 MW. However, for the first half of 2016, the total available approved contracted supply as well as the expected supply from PSALM is only 52.56 MW, as follows:

- a. From PSALM, an estimate of 16.56 MW;
- b. From Therma Marine, Inc. (TMI), 18 MW; and
- c. From Mapalad Power Corporation (MPC), 18 MW, from its bunker C-fired power plant in Iligan City.

12.2. The available supply will be even lower in the latter part of 2016, at 34.56 MW, as the contract with MPC will expire;

13. **ZAMCELCO's Demand Projections.** The shortage is expected to increase due to the steadily increasing power demand of ZAMCELCO's customers. The expected increase is indicated in ZAMCELCO's Distribution Development Plan (DDP).

A copy of ZAMCELCO's DDP and Supply-Demand Projections are attached to the joint application as Annexes "G" and Annex "G-1";

14. **Need for Long-Term Power Supply.** ZAMCELCO has to procure long-term power supply to ensure sufficiency of supply in the coming years. Thus, ZAMCELCO executed efforts to procure the appropriate power supply;

15. WMPC offered to supply power to ZAMCELCO from its 100 MW bunker C-fired diesel power generating plant located in Barangay Sangali, Zamboanga City. ZAMCELCO evaluated the offer and as a result, it executed the PSA with WMPC for the supply of 50 MW.

An affidavit supporting the foregoing is attached to the joint application as Annex "H";

16. Under the law, no contract for the supply of power to a distribution utility, like ZAMCELCO, can become legally effective unless approved by the Commission. Hence, this joint application;

**ABSTRACT OF THE POWER SALES AGREEMENT  
AND RELATED INFORMATION**

17. **The Generation Facilities.** WMPC shall supply power under the PSA from its 100 MW bunker C-fired diesel power generating plant located in Barangay Sangali, Zamboanga City (the Power Station).

A brief description of the technical characteristics of the Power Station is attached to the joint application as Annex "I";

18. The Specific Fuel Oil Consumption (SFOC) of the Power Station shall not be greater than 0.232 kg/kWh at site condition of 32 deg. C ambient temperature. The SFOC is based on a bunker C fuel oil density of 0.9855 kilogram/liter.

A copy of a Certification on the Power Station's SFOC Rate is attached to the joint application as Annex "J";

19. **Salient Features of the PSA.**

- 19.1. **Supply of Power.** Under the PSA, WMPC shall supply or cause to supply to ZAMCELCO the capacity of 50 MW (Contracted Capacity), as indicated in and subject to the terms and conditions of the PSA. WMPC is expected to start supplying

power to ZAMCELCO in early 2016, after the expiration of NPC's Energy Conversion Agreement with WMPC;

19.2. The supply of power will be in two (2) phases. During the first phase, supply of power shall be through the existing 138 kV high voltage line connecting the Power Station to the Mindanao Grid;

19.3. During the second phase, supply of power shall be through a 69 kV high voltage line which shall directly connect the Power Station to ZAMCELCO's facilities. The second phase shall commence when all the conditions required under the PSA for the said interconnection are satisfied;

19.4. **Term.** Unless otherwise pre-terminated or extended in accordance with the PSA, the term of the PSA shall be for ten (10) years from the time the obligations under the PSA shall have become effective;

19.5. **Effective Date.** The obligations under the PSA shall become effective when certain conditions shall have been satisfied, including the approval by the Commission of the PSA and the pricing structure therein; and

19.6. **Options of ZAMCELCO.** Under certain conditions in the PSA, ZAMCELCO has the option to pre-terminate the PSA or reduce the Contracted Capacity;

20. **Purchased Power Rate.** For the supply of power from the Power Station, ZAMCELCO shall pay the monthly payments based on the following formulas:

### 1. Monthly Payments

The Monthly Payments shall be paid to the Seller on a monthly basis in accordance with the following formula:

$$\text{Monthly Payments} = \text{CRF} + \text{FOMF} + \text{VOMF} + \text{AFC} + \text{ICRF} + \text{SC} + \text{RCEC} + \text{BCEC} + \text{Taxes}$$

Where:

CRF	=	Capital Recovery Fees
FOMF	=	Fixed Operation and Maintenance Fee
VOMF	=	Variable Operation and Maintenance Fee
AFC	=	Actual Fuel Cost
ICRF	=	Interconnection Capital Recovery Fee
SC	=	Start-Up Costs
RCEC	=	Replacement Capacity and Energy Costs
BCEC	=	Back-up Capacity and Energy Costs
Taxes	=	Value-Added Tax and other applicable taxes, if any

### 1.1 Capital Recovery Fee (CRF)

CRF shall be computed as follows:

$$\text{CRF} = \text{CRFR} \times \text{CC} \times \text{F}$$

Where:

CRFR	=	Capital Recovery Fee Rate of PhP250.18/kW/month
CC	=	Contracted Capacity
F	=	Outage Factor as derived using the following formula to be used

Where:

$$F = \frac{\text{Monthly Actual Energy Delivered}}{\text{TMED}}$$

TMED = Theoretical Maximum Energy Delivered being the Contracted Capacity multiplied by the hours in the relevant month, less any adjustments made for Allowed Outage, limitation due to dispatch order, Force Majeure of the Power Station, and allowable start-up time due to period of non-generation due to a Buyer dispatch order or an Allowed Outage, and any other hours as a consequence of Buyer's failure to perform any of its obligations

=  $[CC \times \text{No. of Hours in Billing Month}] - [((CC \text{ on Outage} \times (\text{Allowed Outage Hours} - \text{Actual Outage Hours})) + ((CC - kW \text{ Dispatch Ordered}) \times (\text{Hours Not Dispatched})) + (CC \text{ on Outage} \times \text{Force Majeure Outage Hours}) + ((CC - kW \text{ Not Curtailed}) \times (\text{Hours Transmission Line Not Fully Available or on Outage})) + (CC \text{ on Outage} \times \text{Allowed Start up Time}) + (CC \text{ on Outage} \times \text{Buyer's Downtime}))]$

A summation of the ED & TMED for a given Contract Year shall be made to determine true F during the Contract Year. Such yearly F factor shall be basis for adjustment of the CRF for the Contract Year. The adjustment shall be guided by the following conditions:

If  $\Sigma ED = \Sigma TMED, F = 1$

If  $\Sigma ED > \Sigma TMED, F > 1$ , excess will be carried over to the next year, if the excess is attributed to an event initiated by the Buyer calling for the dispatch of the Power Station to deviate from the agreed Dispatch and Nomination Procedures (Schedule E), and which applies only on to scheduled maintenance of these generating units.

If  $\Sigma ED < \Sigma TMED, F < 1$

## 1.2 Fixed Operation & Maintenance Fee (FOMF)

The Fixed Operation and Maintenance Fee (FOMF) covers the operating and maintenance costs of the Power Station. It shall be computed according to the following formula:



$$FOMF = \left\{ FOMR \times \left[ \left( 0.58 \times \frac{CPI_n}{CPI_o} \right) + \left( 0.02 \times \frac{WPC_n}{WPC_o} \right) + \left( 0.40 \times \frac{EU_n}{EU_o} \times \frac{FPPIn}{FPPIo} \right) \right] \right\} \times CC \times F$$

Where:

FOMFR = Fixed O&M Fee Rate of PhP219.00/kW/month

CPI<sub>n</sub> = Consumer Price Index for Metropolitan Manila Area (National Capital Region), all items published by NEDA/NSO for the period of price determination

CPI<sub>o</sub> = Consumer Price Index for Metropolitan Manila Area (National Capital Region), all items published by NEDA/NSO as of December 31, 2013

WPC<sub>n</sub> = Wholesale Price Index for Mineral Fuels, Lubricants and Related Materials for the Philippines as published by NEDA/NSO for the period of price determination

WPC<sub>o</sub> = Wholesale Price Index for Mineral Fuels, Lubricants and Related Materials for the Philippines as published by NEDA/NSO for as of December 31, 2013

EU<sub>n</sub> = Euro-Peso Exchange Rate for the period of price determination as published by Bangko Sentral ng Pilipinas

EU<sub>o</sub> = Euro-Peso Exchange Rate as of December 31, 2013 as published by Bangko Sentral ng Pilipinas

FPPIn = Finland Producers' Price Index for Manufacturing for the period of price determination as published in the International Financial Statistics of IMF

FPPI<sub>o</sub> = Finland Producers' Price Index for Manufacturing as of December 31, 2013 as published in the International Financial Statistics of IMF

F = Monthly Actual Energy Delivered / TMED

TMED = Theoretical Maximum Energy Delivered being the Contracted Capacity multiplied by the hours in the relevant month, less any adjustments made for Allowed Outage, limitation due to dispatch order, Force Majeure of the Power Station, and allowable start-up time due to period of non-generation due to a Buyer dispatch order or an Allowed Outage, and any other hours as a consequence of Buyer's failure to perform any of its obligations

=  $[CC \times \text{No. of Hours in Billing Month}] - [((CC \text{ on Outage} \times (\text{Allowed Outage Hours} - \text{Actual Outage Hours})) + ((CC - \text{kW Dispatch Ordered}) \times (\text{Hours Not Dispatched})) + (CC \text{ on Outage} \times \text{Force Majeure Outage Hours}) + ((CC - \text{kW Not Curtailed}) \times (\text{Hours Transmission Line Not Fully Available or on Outage})) + (CC \text{ on Outage} \times \text{Allowed Start up Time}) + (CC \text{ on Outage} \times \text{Buyer's Downtime}))]$

A summation of the ED & TMED for a given Contract Year shall be made to determine true F during the Contract Year. Such yearly F factor shall be basis for adjustment of the CRF for the Contract Year. The adjustment shall be guided by the following conditions:

If  $\Sigma ED = \Sigma TMED, F = 1$

If  $\Sigma ED > \Sigma TMED, F > 1$ , excess will be carried over to the next year, if the excess is attributed to an event initiated by the Buyer calling for the dispatch of the Power Station to deviate from the agreed Dispatch and Nomination Procedures (Schedule E), and which applies only on to scheduled maintenance of these generating units.

If  $\Sigma ED < \Sigma TMED, F < 1$

### 1.3 Variable Operation & Maintenance Fee (VOMF)

The Variable Operation and Maintenance Fee (VOMF) covers the cost of the use of, among other items, chemicals, lubricants and

spare parts, that are directly related to the generation of the Power Station. It shall be computed according to the following formula:

$$VOMF = \left\{ VOMFR \times \left[ \left( 0.10 \times \frac{CPI_n}{CPI_o} \right) + \left( 0.60 \times \frac{WPC_n}{WPC_o} \right) + \left( 0.30 \times \frac{EU_n}{EU_o} \times \frac{FPPIn}{FPPI_o} \right) \right] \right\} \times ED$$

Where:

VOMF = Variable O&M Fee, in Pesos

VOMFR = Variable O&M Fee Rate of PhP0.18/kWh

ED = kWh delivered during the billing period

CPI<sub>n</sub> = Consumer Price Index for Metropolitan Manila Area (National Capital Region), all items published by NEDA/NSO for the period of price determination

CPI<sub>o</sub> = Consumer Price Index for Metropolitan Manila Area (National Capital Region), all items published by NEDA/NSO as of December 31, 2013

EU<sub>n</sub> = Euro-Peso Exchange Rate for the period of price determination as published by Bangko Sentral ng Pilipinas

EU<sub>o</sub> = Euro-Peso Exchange Rate as of December 31, 2013 as published by Bangko Sentral ng Pilipinas

FPPIn = Finland Producers' Price Index for Manufacturing for the period of price determination as published in the International Financial Statistics of IMF

FPPI<sub>o</sub> = Finland Producers' Price Index for Manufacturing as of December 31, 2013 as published in the International Financial Statistics of IMFWPC<sub>n</sub>

- = Wholesale Price Index for Mineral Fuels, Lubricants and Related Materials for the Philippines as published by NEDA/NSO for the period of price determination
- WPCo = Wholesale Price Index for Mineral Fuels, Lubricants and Related Materials for the Philippines as published by NEDA/NSO as of December 31, 2013

#### 1.4 Actual Fuel Cost (AFC)

The Actual Fuel Cost (AFC) is the fee paid to the Seller as payment for the procurement and delivery of the fuel oil (Bunker C) used in the operation of the WMPC Power Station. The Actual Fuel Cost shall be computed as follows:

$$AFC = FC \times EC \times ED$$

Where:

- FC = Fuel Cost; The average MOPS price of Bunker C Fuel Oil/Heavy Fuel Oil (HFO) deliveries during the period of price determination in Peso/liter
- EC = Efficiency Cap; 0.232 kg/kWh / 0.9855 kg/liter
- ED = Energy Delivered, kWh

#### 1.5 Interconnection Capital Recovery Fee (ICRF)

The Interconnection Capital Recovery Fee (ICRF) is paid for the Second Phase of power supply at 69 kV voltage level. The ICRF shall be computed according to the following formula:

$$ICRF = DIFCRF \times CC + \text{Taxes}$$

Where:

- DIFCRF = Domestic Interconnection Capital Recovery Fee of PhP111.89/kW/month

---

CC	=	Contracted Capacity (50 MW)
Taxes	=	Value-Added Tax and other applicable taxes, if any

### 1.6 Start-Up Costs (SC)

The Buyer, on a pro rata basis of the capacity of the Power Station allocated to the Buyer, shall pay the Seller Start-Up Costs for the cost of starting up the WMPC Power Station after a period of shutdown due to any reason attributable to all the buyers of the Seller. The Start-Up Costs shall be computed based on the prevailing price of diesel fuel at the time of the Start Up and paid in accordance with the following:

$$SC = (\text{No. of Cold Start-ups} \times 600 \text{ liters} \times \text{price of Fuel per liter}) \\ + (\text{No. of Warm Start-ups} \times 300 \text{ liters} \times \text{price of Fuel per liter})$$

Type of Start-Up	Liters of Diesel Fuel Per Generator Set
Cold Start-up per unit (more than 10 hours of shutdown)	600
Warm Start-up per unit (less than 10 hours of shutdown)	300

### 1.7 Replacement Capacity and Energy Cost Fee (if applicable)

The Buyer shall pay the Seller Replacement Capacity and Energy Cost in accordance with the invoice provided by the supplier of Replacement Capacity and Energy Cost.

### 1.8 Backup Capacity and Backup Energy Costs Fee (if applicable)

The Buyer shall pay the Seller Backup Capacity and Energy Cost equivalent to the Monthly Payment had there been no Forced Outage.

### 1.9 Value Added Tax

The relative Value Added Taxes (VAT) of the above fee payments twelve percent (12%) shall be computed as follows:

$$VAT = (CRF + FOMF + VOMF + AFC + ICRF + SC + RCEC + BCEC) \times 0.12$$

- 20.1. The CRF component of the tariff is based on the provisionally approved tariff for MPC's bunker C-fired diesel power plant in Iligan City, which is currently supplying power to ZAMCELCO and other distribution utilities in the Mindanao;
- 20.2. For reference, a sample computation of the monthly payment contained in Schedule "C" of the PSA;
- 20.3. **Basis for Indexation.** As indicated in the formulas above, the monthly fees to be paid by ZAMCELCO are subject to adjustments based on various indices or factors in order to properly reflect the fluctuation of WMPC's costs in supplying electricity;
- 20.4. The components of the tariff representing foreign currency-denominated costs are adjusted based on the foreign exchange rate and the applicable foreign price indices. Those representing local costs are adjusted based on local price indices. The Actual Fuel Costs vary based on the applicable fuel cost index;
- 20.5. **Least Cost Available Peaking Power.** A survey of the Commission's records indicates that supply under the PSA is among the cheapest available peaking power supply in Mindanao.

A copy of the results of the survey is attached to the joint application as Annex "K"; and

20.6. **Savings on Transmission Charges for Second Phase.** Supply under the second phase will be subject to the ICRF, which is estimated to be equivalent to PhP0.16/kWh. This results in the avoidance of Transmission Charges which ranged from PhP0.84 /kWh to PhP0.95/kWh for the first half of 2015.

A copy of the supporting analysis is attached to the joint application as Annex "L";

**21. Project Cost/Financial Plans.**

21.1. **Project Cost.** A summary of the costs of the project is attached to the joint application as Annex "M". A summary of costs of the interconnection is attached to the joint application as Annex "N";

**22. Cash Flow.**

22.1. **Breakdown of Operating and Maintenance Expenses.** A detailed breakdown of the projected operating expenses is attached to the joint application as Annex "O";

22.2. **Offtake Arrangement.** Under the PSA, WMPC shall make available, reserve, guarantee and deliver to ZAMCELCO the Contracted Capacity and ZAMCELCO shall pay for such quantity of electric power. WMPC shall utilize such Contracted Capacity to generate energy for ZAMCELCO;

22.3. There is no minimum energy offtake under the PSA. As WMPC will dedicate the Contracted Capacity to ZAMCELCO, the Capital Recovery and the Fixed Operations and Maintenance Fees are computed based on the Contracted Capacity as well as on the proportion of actual energy delivered to the energy that could have been delivered; and

22.4. Also, the capacity to be provided by WMPC shall always be the Contracted Capacity. In case the actual capacity delivered by WMPC, as per dispatch

order or limitation of ZAMCELCO for a given billing month is less than the Contracted Capacity, the difference between the actual capacity utilized by ZAMCELCO and Contracted Capacity for that billing month shall be deemed delivered to and utilized by ZAMCELCO;

23. **Fuel Supply.** In order to ensure the supply of fuel for the operations of the Power Station, WMPC is making arrangements with the present bunker C fuel supplier of an affiliate generation company in Mindanao. The said affiliate previously selected the supplier by soliciting offers from reputable fuel suppliers and contracting with the one that offered the best terms for fuel supply;

23.1. It must be stressed that, in accordance with the relevant policy of the Commission, WMPC shall derive no revenue whatsoever from the fuel supply;

24. **Environmental Compliance Certificate (ECC).** The Department of Environment and Natural Resources (DENR) has issued the necessary ECC covering the Power Station.

A copy of the ECC is attached to the joint application as Annex "P";

25. **DOE Accreditation.** The Department of Energy (DOE) has accredited the Power Station as a Block Power Production Facility under the Implementing Rules and Regulations of Executive Order No. 215.

A copy of the said accreditation is attached to the joint application as Annex "Q";

26. **Certificate of Compliance (COC).** The Commission has issued the necessary COC for the Power Station.

A copy of the said certification is attached to the joint application as Annex "R";



**RATE IMPLICATIONS**  
**OF THE POWER SALES AGREEMENT**

27. In order to determine the impact of the implementation of the PSA on ZAMCELCO's generation costs, an analysis was conducted taking into consideration ZAMCELCO's projected demand and available supply from approved supply contracts.

A copy of the said analysis is attached to the joint application as Annex "S";

28. The procurement of additional supply from WMPC will significantly reduce the power outages in Zamboanga City and will result in an upward adjustment of the total generation costs to be paid by ZAMCELCO's member-consumers;

29. A summary of the said analysis is shown in the table below:

Period Covered	Without PSA	Outages (Est.)	With PSA	Outages (Est.)	Outage reduction	Rate Impact
	PhP/kWh	Hours	PhP/kWh	Hours	Hours	PhP/kWh
1st half 2016	6.2900	11	6.5751	-	11	0.2851
2nd half 2016	5.0988	15	6.0833	3	13	0.9845
Year 2017	5.0988	15	6.1116	3	13	1.0128
Year 2018	3.0000	20	5.8426	8	13	2.8426

Notes and assumptions:

1. Only supply from Commission-approved contracts are assumed, except for PSALM which expires by the end of 2015. Extent of supply from PSALM from 2016 onwards is uncertain given the privatization of its plants. Supply from PSALM has been decreasing significantly over the past few years. For purposes of this simulation, supply from PSALM is assumed at 17 MW for 2016 and onwards, in view of the expected privatization of certain plants.
2. Under the "Without PSA" Scenario, the suppliers are PSALM, TMI and MPC.
3. Under the "With PSA" Scenario, the suppliers are PSALM, TMI, MPC and WMPC.
4. MPC supply of 18 MW will be up to second quarter of 2016.
5. Under the PSA with WMPC, ZAMCELCO has the option to reduce the contracted capacity or terminate the PSA, subject to certain conditions.
6. The simulation is only for a three (3)-year period assuming San Ramon Power Corporation will start to deliver the 85 MW power to ZAMCELCO starting 2019.

7. The contracted generation companies are assumed to be able to supply from their respective contracted capacities in full.
8. The assumed tariffs for TMI and MPC are based on ZAMCELCO's actual purchases over a twelve (12)-month period from June 2014 to May 2015, with assumed line losses of 4.35%. The assumed tariff for PSALM is PhP3.00/kWh.
9. The current figures for CPI, WPC, EU and FPPI are lifted from the MPC billing as of the cut-off on May 25, 2015 as provided by WMPC.
10. The fuel supply for the WMPC plant would be the same as that for the MPC plant, hence, the same fuel price can be used, as provided by WMPC as of May 25, 2015.

**ALLEGATIONS IN SUPPORT OF**  
**THE MOTION FOR PROVISIONAL AUTHORITY**

30. ZAMCELCO's current power supply is not sufficient to meet its total power requirements, resulting in substantial power outages in ZAMCELCO's franchise area and adversely affecting its Industrial, Commercial and Residential power consumers;
31. In addition, ZAMCELCO's forecasted demand is expected to increase steadily in the coming years;
32. PSALM, which is the supplier of the bulk of the power requirements of the Mindanao Grid, has drastically reduced its firm supply commitments to all distribution utilities in Mindanao, including ZAMCELCO. Moreover, NPC is expected to reduce further its supply by 2016 when some of its generating capacity will be privatized;
33. Under the PSA, WMPC is expected to start supplying power to ZAMCELCO in early 2016;
34. The implementation of the subject PSA at the soonest possible time will greatly benefit the residents and the local economy in ZAMCELCO's franchise area by providing stable and reliable power supply;
35. A provisional authority will help ensure the supply from WMPC to ZAMCELCO;

36. ZAMCELCO and WMPC move for the provisional approval of the present joint application pursuant to Rule 14 of the Commission's Rules of Practice and Procedure.

A copy of a sworn statement supporting the said motion is attached to the joint application as Annex "T"; and

37. ZAMCELCO and WMPC pray that the Commission:
- a. immediately issue an Order provisionally approving the PSA subject of the present joint application as well as the Generation Rate and adjustment mechanisms indicated therein; and
  - b. after due hearing, render judgment making such provisional approval permanent.

Finding the joint application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, pre-trial conference, expository presentation and evidentiary hearing on **October 21, 2015 (Wednesday) at nine o' clock in the morning (9:00 A.M.) at ZAMCELCO's Main Office, MCLL Highway, Putik, Zamboanga City.**

ZAMCELCO and WMPC 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 initial hearing. They are also directed to inform the consumers within ZAMCELCO's franchise area, by any other means available and appropriate, of the filing of the instant joint application, its reasons therefor, and of the scheduled hearing thereon.

Let copies of the joint 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 Office of the Mayor of Zamboanga City for appropriate posting thereof on its bulletin board.

ZAMCELCO and WMPC are hereby directed to furnish all those making requests therefor with a copy of the joint application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, ZAMCELCO and WMPC must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences on the actual posting and publication of the Notice of Public Hearing consisting of a certification issued to that effect, signed by the aforementioned Mayor or his duly authorized representative, bearing the seal of his office, 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.

ZAMCELCO and WMPC and all other 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 thereof 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 ZAMCELCO and WMPC 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, ZAMCELCO and WMPC must also be prepared to make an expository presentation of their joint 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 consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

**SO ORDERED.**

Pasig City, September 1, 2015.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

  
**JOSE VICENTE B. SALAZAR**  
Chairman

**ERC**  
Office of the Chairman



1-2015-028-00443

  
MVA/NJS

Copy Furnished:

1. Attys. Sundy Lorence C. Lachica and Abigail T. Madanlo  
LACHICA & ASSOCIATES  
Suite 2304-B, West Tower, Philippine Stock Exchange Center,  
Exchange Road, Ortigas Center, Pasig City
2. Zamboanga City Electric Cooperative, Inc. (ZAMCELCO)  
MCLL Highway, Putik, Zamboanga City
3. Western Mindanao Power Corporation (WMPC)  
4<sup>th</sup> Floor, Alphaland Southgate Tower, 2258 Chino Roces  
Avenue corner EDSA, Makati City
4. Office of the Solicitor General  
134 Amorsolo Street, Legaspi Village  
Makati City, Metro Manila
5. Commission on Audit  
Commonwealth Avenue  
Quezon City, Metro Manila
6. Senate Committee on Energy  
GSIS Bldg. Roxas Blvd., Pasay City  
Metro Manila
7. House Committee on Energy  
Batasan Hills, Quezon City, Metro Manila
8. President  
Philippine Chamber of Commerce and Industry (PCCI)  
1030 Campus Avenue corner Park Avenue,  
McKinley Town Center, Fort Bonifacio, Taguig City
9. Office of the City Mayor  
Zamboanga City