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 ORIENTAL MINDORO ELECTRIC COOPERATIVE, INCORPORATED (ORMECO) AND EMERGING POWER, INCORPORATED (EPI), WITH PRAYER FOR PROVISIONAL AUTHORITY

ERC CASE NO. 2014-083 RC

ORIENTAL MINDORO ELECTRIC COOPERATIVE, INCORPORATED (ORMECO) AND EMERGING POWER, INCORPORATED (EPI),
Applicants.
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on June 11, 2014, Oriental Mindoro Electric Cooperative, Incorporated (ORMECO) and Emerging Power, Incorporated (EPI) filed an application for approval of their Power Supply Agreement (PSA), with prayer for provisional authority.

In the said application, ORMECO and EPI alleged, among others, that:

The Applicants

1. ORMECO is a non-stock, non-profit electric cooperative organized and existing under Presidential Decree No. 269, as amended, with principal office at Barangay Sta. Isabel, Calapan City, Oriental Mindoro. It has a franchise

to distribute electricity in the City of Calapan, and in the Municipalities of Baco, San Teodoro, Puerto Galera, Naujan, Victoria, Socorro, Pola, Pinamalayan, Gloria, Bansud, Bongabong, Roxas, Mansalay, and Bulalacao, all within the Province of Oriental Mindoro. Copies of its certificates of franchise are attached to the application;

2. EPI is a generation company duly organized and existing under the laws of the Republic of the Philippines, with principal address at Suite 1603 B, 16th Floor, West Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Business Center, Pasig City. Copies of its Certificate of Incorporation, Certificate of Filing of Amended Articles of Incorporation with the attached Amended Articles of Incorporation, By-Laws, latest General Information Sheet, and Audited Financial Statements are, likewise, attached to the application;

3. EPI is the duly registered renewable energy developer of geothermal energy resources covered by Geothermal Service Contract No. 2010-02-013. A copy of the relevant Certificate of Registration issued by the Department of Energy (DOE) is attached to the application;

4. EPI is also processing its application with the Board of Investments (BOI) for registration under Republic Act No. 9513. Proof of the said application is, likewise, attached to the application;

Nature of the Application

5. 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, and ERC Resolution No. 21, Series of 2011, this application is submitted to the Commission for its review and approval of the PSA dated February 3, 2014 between ORMECO and EPI. A copy of the said PSA is attached to the application;

Compliance with Pre-Filing Requirements

6. In compliance with Rule 6 of the ERC Rules of Practice and Procedure, they have furnished the legislative bodies of each of the local government units where they principally operate with copies of the present application and all its annexes and accompanying documents. Copies of the corresponding proofs of receipt are, likewise, attached to the application;

7. Further, they have caused the publication of the present application in its entirety, excluding its annexes, in a newspaper of general circulation within ORMECO's franchise area. Copies of the newspaper and the corresponding affidavit of publication are attached to the application;

Statement of Facts

8. **Abundance of Unutilized Geothermal Resources in Mindoro.** The Island of Mindoro is rich in geothermal resources, particularly, in the area near Mount Montelago in the Municipality of Naujan, Oriental Mindoro. However, these resources have remained largely unutilized, depriving the Mindoreños of the potential benefits of a valuable local resource;

9. The geothermal resources of Mindoro may be utilized to produce clean, cheap, stable, and reliable power for the benefit of Mindoreños;

   9.1 Power from geothermal energy is considerably cheaper than the expensive power from diesel or bunker-fired power plants which supply most of the power in off-grid islands like Mindoro. The cost of geothermal power is generally stable. It is not subject to value-added tax (VAT) as a renewable energy source and is not affected by fuel price fluctuations;

   9.2 Unlike run-of-river hydro, solar, and wind power, which are intermittent, geothermal power is non-intermittent, stable, and more reliable; and

9.3 In addition, the utilization of local renewable energy resources for power reduces the country's dependence on fossil fuels, minimizing exposure to price fluctuations in the international market. It also reduces the need for foreign currency ordinarily used on the purchase of fuel;

10. **Key to Economic Growth.** Available power supply is a key driver of economic growth. Sufficient and reliable power at reasonable and stable costs allows for, and encourages investment in local enterprise. This spurs economic activity and growth, further leading to increased power demand;

11. The utilization of Mindoro's geothermal resource for clean and reliable local power supply at reasonable costs is envisioned to be a strong and vital economic driver for the progress of Mindoro over the long term;

12. **Subsidized Power in Oriental Mindoro.** The Island of Mindoro is not connected to the national high voltage transmission grid, to which large power plants with reasonable electricity costs are connected. For this reason, the cost of electricity is generally higher in off-grid areas;

12.1 Under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 or the EPIRA, and related administrative and regulatory issuances, the generation cost in off-grid islands is subsidized through the Universal Charge for Missionary Electrification (UC-ME), which is collected from all electricity end-users; and

12.2 For the cost of generation, electricity consumers in off-grid areas pay only a regulated rate referred to as the Subsidized Approved Generation Rate (SAGR). The difference between the cost of generation and the SAGR is subsidized though the UC-ME;

13. Simply put, the cost of the electricity consumed by end-users in off-grid areas such as Mindoro is subsidized by all the other electricity consumers in the country. For instance, for 2013, all other consumers subsidized ORMECO's customers in the total amount of about PhP824 Million;

14. The more electricity the consumers in Mindoro consume, the more subsidy the consumers in all other parts of the Philippines will have to pay;

15. Thus, it is the thrust of government that the subsidy requirements be reduced, particularly, by the entry of private power generators. As discussed below, the PSA subject of the present application will significantly reduce the subsidy requirements of Oriental Mindoro. Upon full implementation, the said PSA will result in subsidy savings of at least PhP805 million a year, or at least PhP20 Billion over the term of the PSA;

16. **ORMECO's Procurement P rocess.** On June 27, 2013, EPI submitted to ORMECO an unsolicited proposal for the supply of 20 MW of clean and environmentally sound baseload power utilizing the geothermal resources of Mindoro. Subsequently, on December 13, 2013, EPI submitted a revised proposal to ORMECO. Under the proposal, the subsidy requirements of ORMECO will also be significantly reduced. Copies of the said proposals are attached to the application;

17. After negotiating the terms of the proposal, they executed the PSA. In view of the requirement of a competitive selection for power supply in off-grid areas, the effectiveness of the PSA was made subject to a successful Swiss Challenge;

18. Thereafter, ORMECO conducted a Swiss Challenge process;

    18.1 The Swiss Challenge process is recognized by the DOE as an acceptable and valid competitive selection process consistent with DOE Department Circular No. DC2004-01-001, the issuance requiring competitive selection for power supply in off-grid

areas. A copy of the relevant letter from the DOE is, likewise, attached to the application;

18.2 In the conduct of the process, ORMECO was guided by the Commission's rulings in ERC Case No. 2009-025 RC[1] and ERC Case No. 2012-018 RC[2], wherein it recognized the Swiss Challenge process as a valid selection process;

18.3 Following the approved precedents in the said cases, ORMECO conducted a process similar to the process for unsolicited proposals in the Revised Implementing Rules and Regulations (IRR) of Republic Act No. 6957, as amended by Republic Act No. 7718, or the Build-Operate-Transfer (BOT) Law;

18.4 Thus, in April 2014, ORMECO published an "Invitation to Submit Comparative Proposals" for three (3) consecutive weeks in a newspaper of national circulation. Copies of the relevant portions of the newspapers and the corresponding affidavit of publication are attached to the application;

18.5 However, despite due notice to the public, no party expressed interest in participating in the process and submitting a comparative proposal within the period provided;

18.6 Thus, ORMECO issued a Notice of Award in favor of EPI. A copy of the said Notice of Award is, likewise, attached to the application; and

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[1] In Re: Petition for Approval of the Power Supply Agreement (PSA) and the New Power Provider-True Cost Generation Rate (NPP-TCGR), with Prayer for Provisional Authority, Palawan Electric Cooperative, Incorporated (PALECO) and Delta P, Incorporated (DELTA P) – Petitioners

[2] In the Matter of the Application for Approval of the Power Supply Agreement (PSA), as Revised, Between Province of Siquijor Electric Cooperative, Incorporated (PROSIELCO) and S.I. Power Corporation (SIPCOR), PROSIELCO and SIPCOR – Applicants

18.7 A summary of the foregoing procurement process undertaken by ORMECO is attached to the application;

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

Abstract of the PSA and Related Information

20. **The Generation Facilities.** EPI shall develop the Montelago Geothermal Field and shall establish the 44 MW Montelago Geothermal Power Station (Power Station) in Barangays Montelago, Montemayor, and Melgar-B in Naujan, Oriental Mindoro;

20.1 The Power Station shall consist of brand new modular type wellhead condensing power generating units with an aggregate rated capacity of 44 MW. The generating units shall have a rated voltage of 13.8 kV, which shall be stepped up to 69 kV at a marshalling station, through which the Power Station shall be connected to the Mindoro Island Grid. The technical characteristics of the Power Station are further detailed in Schedules A and I of the PSA;

21. **Salient features of the PSA.**

21.1 **Delivery of Capacity.** Under the PSA, the Contracted Capacity is 20 MW, to be implemented in three (3) phases as follows: a) a total net capacity of 7.2 MW by the first quarter of 2017; b) a total of 13.9 MW by the third quarter of 2017; and c) a total of 20 MW by the first quarter of 2018;

21.2 Nomination of capacity. The capacity of the Power Station shall be nominated by EPI, stated in the PSA, as follows:

"The Seller shall provide, and Buyer shall pay for, the electric power output capacity of the Power

Station as provided in Section 6.1 of this Agreement in respect of the amount of Nominated Capacity which, in respect of each quarter or Contract Year, as the case may be, shall be the actual net kilowatt (kW) capability of the Power Station nominated by the Seller for such quarter or year, as the case may be, provided that:

a. Such nominated amount may not exceed one hundred ten percent (110%) of the Contracted Capacity unless the Buyer so agrees; and

b. If, at the beginning of any Contract Year, the Seller nominates an amount less than ninety percent (90%) of the Contracted Capacity it may subsequently nominate an increased amount in which case such increased amount shall be the Nominated Capacity for the remainder of such Contract Year.";

21.3 **Term.** The term of supply and purchase under the PSA shall be twenty-five (25) years from the commencement of commercial operations of the last power generating unit, unless otherwise renewed by the parties; and

21.4 **Effective Date.** The obligations under the PSA shall become effective on the Effective Date, when certain conditions shall have been satisfied, including the issuance of a Notice of Award to EPI following the conduct of a Swiss Challenge process, and the approval by the Commission of the PSA and the pricing structure therein. A more detailed summary of the salient features of the PSA is attached to the application;

22. **Purchased Power Rate.** As stated in the PSA, the payments to EPI for the supply of power to ORMECO shall be determined as follows:

"SCHEDULE B

PAYMENTS TO THE SELLER

x x x.

A. MONTHLY PAYMENTS.

Monthly Payments (MP) shall be paid to the Seller on a monthly basis based on the following formula:

MP = CRF + FOMF + VOMF + RCEC + BCEC + Taxes

Where:

CRF	=	Capital Recovery Fee in Pesos
FOMF	=	Fixed Operations and Maintenance Fee in Pesos
VOMF	=	Variable Operations and Maintenance Fee in Pesos
RCEC	=	Replacement Capacity and Energy Costs in Pesos
BCEC	=	Backup Capacity and Energy Costs in Pesos
Taxes	=	VAT and other applicable taxes, if any

A.1 CAPITAL RECOVERY FEE (CRF). The monthly CRF shall be paid by the Buyer to the Seller to recover the capital return on investment of the Seller, and to be computed as follows:

$CRF = (CCR_F \times NC_{PH})$

Where:

CCR_F = The final adjusted Contracted Capacity Rate (in PhP/kW-month)

NC_{PH} = Nominated Capacity for the relevant Phase in kW

Where:

$$CCR_F = \frac{[(A \times NC_A) + (B \times NC_B) + (C \times NC_C)]}{(NC_A + NC_B + NC_C)}$$

and

$$A = (0.95 \times CCR_{CSD}) \times (\frac{Fx_A}{Fx_{CSD}}) + (0.05 \times CCR_{CSD})$$

$$B = (0.95 \times CCR_{CSD}) \times (\frac{Fx_B}{Fx_{CSD}}) + (0.05 \times CCR_{CSD})$$

$$C = (0.95 \times CCR_{CSD}) \times (\frac{Fx_C}{Fx_{CSD}}) + (0.05 \times CCR_{CSD})$$

CCR_{CSD} = Contracted Capacity Rate of **PhP3,095.81/kW-month** of the geothermal well and power station at the Contract Signing Date

A,B, and C = Delivery Phases of the Contracted Capacity as set out in Schedule C

NC_A, NC_B, and NC_C = The Nominated Capacity at each relevant Phase

Fx_{CSD} = Actual Philippine Peso to US Dollar exchange rate, as published by the Bangko Sentral ng Pilipinas (BSP) at the Contract Signing Date of this Agreement

Fx_A = Arithmetic average of the Philippine Peso to US Dollar exchange rate for the period covered of Phase A, as published by the BSP

Fx_B = Arithmetic average of the Philippine Peso to US Dollar exchange rate for the period covered of Phase B, as published by the BSP

Fx_C = Arithmetic average of the Philippine Peso to US Dollar exchange rate for the period covered of Phase C, as published by the BSP

B. FIXED OPERATION AND MAINTENANCE FEE. The Fixed Operation and Maintenance Fee covers the operating and maintenance costs of the power structures and equipment, and plant management and supervision costs of the Power Station and the steam field. It shall be computed according to the following formula:

$$\text{FOMF} = \text{FOMR} \times \left[\left(0.2 \times \frac{\text{FCPI}_n}{\text{FCPI}_{CSD}}\right) \times \frac{\text{Fx}_n}{\text{Fx}_{CSD}}\right] + \left[\left(0.8 \times \frac{\text{LCPI}_n}{\text{LCPI}_{CSD}}\right)\right] \times \text{NC}_{PH}$$

Where:

FOMF = Fixed Operation & Maintenance Fee in Pesos

FOMR = Fixed Operation & Maintenance Rate at **PhP797.86/kW-month**

NC_{PH} = Nominated Capacity (in MW) at the relevant Phase

$FCPI_n$ = The arithmetic average of the values of the United States (US) Consumer Price Index (CPI) for all Items, as last published on or before the last day of such Billing Month by the International Monetary Fund (IMF), provided that if

the IMF ceases to publish such indices, the relevant indices as published by the US Department of Labor Bureau of Labor Statistics (DLBLS) shall apply

$FCPI_{CSD}$ = The arithmetic average of the values as of the Contract Signing Date of this Agreement of the US CPI for all Items, as published by the IMF, provided that if the IMF ceases to publish such indices, the relevant indices as published by the US DLBLS shall apply

$LCPI_n$ = The arithmetic average of the values of the CPI in the Philippines for all Items and General Wholesale Price Index in Metro Manila for mineral fuels, lubricant and related materials, both as last published on or before the last day of such Billing Month by the National Statistics Office (NSO)

$LCPI_{CSD}$ = The arithmetic average of the values as of the Contract Signing Date of this Agreement of the CPI in the Philippines for all Items and General Wholesale Price Index in Metro Manila for mineral fuels, lubricant and related materials, both as published by the NSO

Fx_n = Actual Philippine Peso to US Dollar exchange rate on the meter reading date of such Billing Month, as published by the BSP, www.bsp.gov.ph

Fx_{CSD} = Actual Philippine Peso to US Dollar exchange rate on the meter reading date as of the Contract Signing Date of this Agreement, as published by the BSP, www.bsp.gov.ph

C. VARIABLE OPERATION AND MAINTENANCE FEE. The Variable Operation and Maintenance Fee covers the use of chemicals, lubricants, spare parts, etc. that are

directly related to the generation of the Power Station and steam field. It shall be computed according to the following formula:

$$\text{VOMP} = \text{VOMR} \times \left\{\left[\left(0.35 \times \frac{\text{PPP}_n}{\text{PPP}_{CSD}}\right) \times \frac{\text{Fx}_n}{\text{Fx}_{CSD}}\right] + \left(0.65 \times \frac{\text{LCPI}_n}{\text{LCPI}_{CSD}}\right)\right\} \times \text{E}_{DEL}$$

Where:

VOMF = Variable Operation and Maintenance (O&M) Fee in Pesos

VOMR = Variable O& Rate in **PhP0.792/kWh**

E_{DEL} = Electricity delivered during the billing period in kWh

PPP_n = The arithmetic average of the values of the US Producers' Price Index for industrial goods, as last published on or before the last day of such Billing Month by the IMF, provided that if the IMF ceases to publish such indices, the relevant indices as published by the US DLBLS shall apply

PPP_{CSD} = The arithmetic average of the values as of the Contract Signing Date of this Agreement of the US Producers' Price Index for industrial goods, as published by the IMF, provided that if the IMF ceases to publish such indices, the relevant indices as published by the US DLBLS shall apply

$LCPI_n$ = The arithmetic average of the values of the CPI in the Philippines for all Items and General Wholesale Price Index in Metro Manila for mineral fuels, lubricant and related materials, both as last published on or before the last day of such Billing Month by the NSO

$LCPI_{CSD}$ = The arithmetic average of the values as of the Contract Signing Date of this Agreement of the CPI in the Philippines for all Items and General Wholesale Price Index in Metro Manila for mineral fuels, lubricant and related materials, both as published by the NSO

Fx_n = Actual Philippine Peso to US Dollar exchange rate on the meter reading date of such Billing Month, as published by the BSP, www.bsp.gov.ph

Fx_{CSD} = Actual Philippine Peso to US Dollar exchange rate on the meter reading date as of the Contract Signing Date of this Agreement, as published by the BSP, www.bsp.gov.ph

D. <u>TRUE COST GENERATION RATE (TCGR).</u> The TCGR of the Seller for the Billing Month shall be calculated as follows:

$$TCGR = \frac{CRF + FOMF + VOMF + RCEC + BCEC + REDC}{E_{DEL}}$$

Where:

CRF = Capital Recovery Fee in Pesos

FOMF = Fixed Operations and Maintenance Fee in Pesos

VOMF = Variable Operations and Maintenance Fee in Pesos

RCEC = Replacement Capacity and Energy Costs in Pesos

BCEC = Backup Capacity and Energy Costs in Pesos

REDC = Renewable Energy Dispatch Cost which includes the costs (in Pesos) for the non-dispatched of the existing diesel power plants (as of December 2013) in the Buyer's franchise area and any other costs associated to the Seller's geothermal project/operation.

E. SUBSIDIZED APPROVED GENERATION RATE (SAGR). The SAGR of the Buyer for the billing month shall be that SAGR [with the Deferred Accounting Adjustments (DAA)], as approved by the Commission as of December 31, 2013.

F. COMPUTATION OF THE UC-ME SUBSIDY.

The UC-ME Subsidy Fee (SF) shall be collected from NPC-SPUG by the Seller or the appropriate entity authorized by ERC and shall be computed as follows:

$$SF = (TCGR - SAGR) \times E_{DEL}$$

G. COMMISSIONING OUTPUT CHARGE (COC). Once the Power Station unit is ready to commence test and commissioning, the energy delivered to the Buyer in a Billing Month to the designated Receiving Point during the commissioning phase shall be paid by Buyer to Seller under this formula:

$$COC = (FOMR + VOMR) \times E_{DEL} + FBP + Taxes$$

Where:

FOMR = Fixed O&M Rate in PhP/kWh during the Billing Month

VOMF = Variable O&M Rate in PhP/kWh during the Billing Month

FBP = Feedback Power Fee in Pesos from external source other than the Power Station

E_{DEL} = Delivered Energy in kWh that is generated from the Power Station during commissioning

Taxes = VAT and any other applicable taxes, fees and charges

SCHEDULE C

DELIVERY AND RATE SCHEDULE
(As of Contract Signing Date, Subject to Adjustments under Schedule B)

Phase	Estimated Delivery Period	Contracted Capacity Build-up (net of parastic load) to be delivered, MW	Monthly Dispatchable Energy, kWh	RATE STRUCTURE***			
				CCR P/kW-mo	FOMR P/kW-mo	VOMR P/kWh	TOTAL P/kWh
A	Q1 2017	7.2	4,835,520	3,095.81	797.86	0.7920	6.5896
B	Q3 2017	13.9	9,335,240	3,095.81	797.86	0.7920	6.5896
C	Q1 2018	20.0	13,432,000	3,095.81	797.86	0.7920	6.5896

Note:
CCR = Contracted Capacity Rate
FOMR = Fixed Operation and Maintenance Rate
VOMR = Variable Operation and Maintenance Rate
*** Should there be any existing diesel plants contracted to ORMECO that will not be dispatched in view of the geothermal operation or should there be additional costs associated in the geothermal project/operation, the payment of the Capacity and Fixed O&M costs of the said diesel plants for that event or the reimbursement of such costs overruns shall be collected from the UCME subsidy from NPC-SPUG through an authority from the ERC.

22.1 **Prompt Payment Discount (PPD).** ORMECO shall be entitled to a discount of one percent (1%) of the amount paid for the Capital Recovery Fee in case of prompt payment;

22.2 **Sample Computation.** For reference, sample computations of the monthly payment and of the prompt payment discount are contained in Schedules E and D of the PSA, respectively;

22.3 **Additional Capacity and Energy.** Subject to availability, EPI may provide additional capacity and energy upon the written request of ORMECO, which supply shall be subject to the same payment terms; and

22.4 **Basis for Indexation.** As reflected in the formulas, the fees under the PSA are subject to adjustments to correspond with the monthly changes in the cost of supplying power. Accordingly, the peso-denominated components of the rate are indexed to the local price index. The dollar-denominated components are indexed to the applicable foreign price index and foreign exchange rate;

23. **Sources of Funds/Financial Plans.** The Project will be funded through loans and equity. The debt-equity ratio for the Project is 70:30;

23.1 **Project Cost.** A copy of the breakdown of the project cost, including the investment and financial plan, is attached to the application;

23.2 **Financing Cost.** EPI is currently discussing with prospective lenders the terms and conditions of the project financing. For purposes of determining the tariff under the PSA, it assumed debt financing to have a tenor of twelve (12) years with a financing cost of ten percent (10%) per annum; and

23.3 **Computation of Weighted Average Cost of Capital (WACC).** The real post-tax WACC of the Project is ten percent (10%). A computation of the said WACC is, likewise, attached to the application;

24. **Cash Flow.**

24.1 **Breakdown of Operating and Maintenance Expenses.** A breakdown of the projected operating expenses is attached to the application;

25. **Environmental Compliance Certificate (ECC).** EPI is currently processing the necessary application with the

Department of Environment and Natural Resources (DENR) or an ECC covering the Power Station;

26. **Certificate of Compliance (COC).** In accordance with ERC Resolution No. 9, Series of 2010, EPI shall file the necessary application for a COC in order to obtain the same before the commencement of commercial operations;

27. **Distribution Development Plan (DDP).** For reference, a copy of ORMECO's DDP is attached to the application;

Rate Implications of the PSA

28. **Lower Overall Cost of Power.** As the generation cost of EPI is considerably lower than the generation costs of diesel or bunker-fired power plants, the implementation of the PSA will bring down the overall cost of power supply to ORMECO;

29. **No Increase in Rates.** While the PSA provides reliable supply of baseload power to ORMECO, it does not serve to increase the generation charge currently paid by the member-consumers of ORMECO. Under ERC Resolution No. 21, Series of 2011, the member-consumers of ORMECO shall pay only the SAGR approved by the Commission as the generation component of the retail rate;

30. **Reduction of Dependence on Subsidy.** As mentioned, implementation of the PSA will bring down the overall cost of power supply to ORMECO. As a result, ORMECO's dependence on the subsidy from the UC-ME is reduced considerably. Consequently, the UC-ME charge collected from all electricity consumers is reduced;

31. Based on EPI's computation, the full implementation of the PSA will result in subsidy savings of at least PhP805 Million a year, or at least PhP20 Billion over the term of the PSA. The eventual actual savings over the long term is likely to be much higher. A copy of the said computation is, likewise, attached to the application;

32. Thus, all electricity consumers throughout the country will benefit from the implementation of the PSA;

Allegations in Support of the Motion for Provisional Authority

33. As discussed above, the implementation of the PSA will not only provide ORMECO with stable and reliable baseload power, it will also bring down the overall cost of the supply of power to ORMECO;

34. As a result, ORMECO's dependence on the UC-ME subsidy is considerably reduced, benefitting all the electricity consumers throughout the country;

35. Thus, the implementation of the PSA at the soonest possible time is imperative;

36. The provisional approval of the present application is necessary for EPI to supply power under the PSA in a timely manner. Its prospective lenders and shareholders are requiring such approval before making available the necessary financing to commence drilling and development activities. Drilling and development activities are capital-intensive, and must be conducted at the soonest in order for it to supply power at the agreed timetable;

37. Thus, the issuance of a provisional approval will enable EPI to move forward with the Project, supply power to ORMECO, and reduce the subsidy charges to all electricity consumers;

38. Hence, they move for the provisional approval of the instant application pursuant to Rule 14 of the ERC Rules of Practice and Procedure;

39. A copy of a sworn statement supporting the said motion is attached to the application; and

Prayer

40. Thus, they pray that the Commission:

41.1 Immediately issue an Order provisionally approving the PSA subject of the instant application, including the tariff and adjustment mechanisms indicated therein, and authorizing EPI to collect from the UC-ME the subsidy computed as provided in the said PSA; and

41.2 After due hearing, render judgment making such provisional approval permanent.

The Commission has set the application for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 29, 2014 (Tuesday) at nine o'clock in the morning (9:00 A.M.) at the Solidarity Hall, ORMECO Compound, Barangay Sta. Isabel, Calapan City, Oriental Mindoro.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and address; (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and (3) a statement of the relief desired.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicants, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicants are hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT,** and the Honorable Commissioners, **ALFREDO J. NON, GLORIA VICTORIA C. YAP-TARUC,** and **JOSEFINA PATRICIA A. MAGPALE-ASIRIT,** Energy Regulatory Commission, this 30th day of June, 2014 at Pasig City.

ATTY. NOEL J. SALVANERA
Director III, Legal Service

rvm/ORMECO and EPI PSA/2014-083 RC/nph