

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



**IN THE MATTER OF  
THE APPLICATION FOR THE  
APPROVAL OF THE POWER  
SALES AGREEMENT  
BETWEEN CAGAYAN  
ELECTRIC POWER AND  
LIGHT COMPANY, INC. AND  
WESTERN MINDANAO  
POWER CORPORATION,  
WITH PRAYER FOR  
PROVISIONAL AUTHORITY,**

**ERC CASE NO. 2015-188 RC**

**CAGAYAN ELECTRIC POWER  
AND LIGHT COMPANY, INC.  
AND WESTERN MINDANAO  
POWER CORPORATION,  
Applicants.**

X-----X

**D O C K E T E D**  
Date: **FEB 16 2016**  
By: *[Signature]*

**NOTICE OF PUBLIC HEARING**

**TO ALL INTERESTED PARTIES:**

On 27 October 2015, Cagayan Electric Power and Light Company, Inc. (CEPALCO) and Western Mindanao Power Corporation (WMPC) filed their joint Application for the approval of their Power Sales Agreement (PSA), with prayer for the issuance of provisional authority.

In support of said Application, CEPALCO and WMPC alleged, among others, the following:

1. CEPALCO is a private electric distribution utility organized and existing under the laws of the Republic of the Philippines, with office address at CEPALCO Administration Building, Masterson Avenue, Upper Balulang, Cagayan de Oro City. It has a

*[Handwritten mark]*

legislative franchise to distribute electricity in the City of Cagayan de Oro<sup>1</sup> and the municipalities of Tagoloan, Villanueva, and Jasaan, all in the Province of Misamis Oriental. A copy of CEPALCO's Certificate of Public Convenience and Necessity (CPCN) is attached as **Annex "A"** of the Application.

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

Copies of WMPC's Certificate of Incorporation and Certificate of Filing of Amended Articles of Incorporation (AOI) with the attached Amended AOI issued by the Securities and Exchange Commission (SEC), Certificate of Filing of Amended By-Laws with the attached Amended By-Laws, and General Information Sheet for the year 2015 are attached to the Application as **Annex "B"** and **series**.

3. Joint Applicants may be served orders and other legal processes through the undersigned counsel.

### **NATURE OF THE APPLICATION**

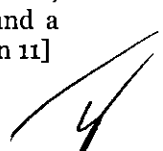
4. Pursuant to Rule 20 (B) of the ERC Rules of Practice and Procedure, approved by the Commission on 22 June 2006 in Resolution No. 38, Series of 2006, this Application is submitted to the Commission for its review and approval of the PSA dated 7 October 2015, between CEPALCO and WMPC. A copy of the PSA is attached as **Annex "C"** of the Application.

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

5. In compliance with Rule 6 of the ERC Rules of Practice and Procedure, Applicants have furnished the legislative bodies of each of the local government units where they principally operate a copy of the Application with all its accompanying documents (proofs of receipt are attached as **Annex "D"** and **series** of the Application).

---

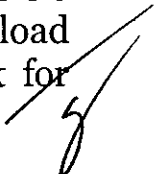
<sup>1</sup> Except the barangays of Baikingon, San Simon, Pagatpat, Tagpangi, Pagalungan, Taglimao, Tuburan, Pigsagan, Tumpagon, Bayanga, Mambuaya, Dansolihon, Tignapoloan, Besigan and a portion of Canitoan, all located in the City of Cagayan de Oro. [Republic Act No. 9284, Section 11]



6. Further, Applicants have caused the publication of the Application in its entirety, excluding its annexes, in a newspaper of general circulation within CEPALCO's franchise area. Copies of the newspaper and the corresponding affidavit of publication are attached to the Application as **Annexes "E"** and **"E-1,"** respectively.

### **STATEMENT OF FACTS**

7. **Shortage of Power Supply in the Mindanao Grid.** The Mindanao Grid has long been suffering from a deficit in its power supply. The generating capacity in the Grid is no longer sufficient to meet the power requirements of Mindanao.
8. As a result, various parts of Mindanao have suffered from significant power outages, adversely affecting local businesses and the daily lives of all electricity consumers.
9. **Drastic Reduction in PSALM's Supply.** In addition, the main power supplier in Mindanao significantly reduced its allocations to distribution utilities, further aggravating the power shortage.
  - 9.1. The Power Sector Assets and Liabilities Management Corporation (PSALM), which took over all the power generation assets of the National Power Corporation (NPC) pursuant to Republic Act No. 9136, supplies the bulk of power requirements in Mindanao. Recently, PSALM significantly reduced its firm supply commitments to distribution utilities in Mindanao.
  - 9.2. PSALM likewise supplies a significant portion of CEPALCO's current power requirements.
  - 9.3. CEPALCO's Contract for the Supply of Electric Energy (CSEE) with PSALM expired last 25 March 2015. PSALM has not renewed the CSEE, and its current supply to CEPALCO is on a month-to-month basis, without certainty on the contract levels. From April 2015 to July 2015, CEPALCO sourced about 76% of its power requirements from PSALM.
  - 9.4. **PSALM Certification.** On 20 August 2014, PSALM issued a letter informing CEPALCO that PSALM has no available capacity to supply CEPALCO's peak load requirement for 2015 and its base load requirement for



2016 onwards. A copy of the said letter is attached as **Annex "F"** of the Application.

10. **Necessity for Additional Power Supply.** In order to ensure sufficient power supply to all CEPALCO's customers, its power requirements should be adequately covered by supply contracts.
11. In addition to the reduction of supply from PSALM, the power demand in CEPALCO's franchise area is expected to steadily increase. The expected increase is indicated in its Distribution Development Plan (DDP). Copies of said DDP and supply-demand projections are attached to the Application as **Annexes "G"** and **"H"** respectively.
12. Hence, there is a need for CEPALCO to procure power supply so that the power requirements of its customers are sufficiently addressed.
13. **Procurement Process for Supply.** Thus, CEPALCO executed efforts to procure the appropriate power supply.
14. WMPC offered to supply power to CEPALCO from its 100 MW bunker C-fired diesel power generating plant located in Barangay Sangali, Zamboanga City. CEPALCO evaluated the offer and, as a result, it executed the PSA with WMPC for the supply of 30 MW. An affidavit supporting the foregoing is attached as **Annex "I"** of the Application.
15. Under the law, no contract for the supply of power can become legally effective unless approved by the Commission. Hence, this Joint Application.

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

16. **The Generation Facilities.** To supply power under the PSA, WMPC shall operate and maintain a 100 MW bunker C-fired diesel power generating plant located in Barangay Sangali, Zamboanga City (the WMPC Power Station). A brief description of the technical characteristics of the WMPC Power Station is attached as **Annex "J"** of the Application.
17. The specific fuel oil consumption (SFOC) of WMPC Power Station shall not be greater than 0.2464 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 the certification on the WMPC Power Station's SFOC rate is attached to the Application as **Annex "K"**.

**18. Salient Features of the PSA.**

- 18.1. Supply of Power Requirements.** Under the PSA, WMPC shall supply or cause to supply to CEPALCO the capacity of 30 MW (Contracted Capacity), as may be increased or decreased in accordance with the terms of the PSA.
- 18.2.** WMPC shall have the option of supplying the Contracted Capacity or any part thereof, from other sources, provided that the cost of such supply is lower than or equal to the cost of supply from the WMPC Power Station. The cost of such alternative supply to CEPALCO shall be a full pass-through cost to CEPALCO.
- 18.3. Commencement Date.** Supply from WMPC shall commence on the date designated by WMPC as the date on which the WMPC Power Station is ready to commence operations under the PSA (the Commencement Date).
- 18.4. Term.** The term of the PSA shall expire on the tenth (10th) anniversary of the Commencement Date, unless extended or earlier terminated in accordance with the terms of the PSA.
- 18.5.** On the third anniversary of the Commencement Date, CEPALCO shall have the option to terminate the PSA or to reduce the Contracted Capacity, subject to a one hundred eighty (180)-day prior written notice. In addition, the parties can agree to increase or decrease the Contracted Capacity, subject to the same tariff.
- 18.6. Effective Date.** The obligations under the PSA shall become effective on the Effective Date, which shall be upon the Commission's approval of the PSA and the pricing structure therein.
- 19. Purchased Power Rate.** For the supply of power by WMPC, CEPALCO shall pay 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:

***Monthly Payments***

$$= CRF + FOMF + VOMF + AFC + SC + RCEC + BCEC + Taxes$$

Where:

|       |   |                                                    |
|-------|---|----------------------------------------------------|
| CRF   | = | Capital Recovery Fees                              |
| FOMF  | = | Fixed Operation and Maintenance Fee                |
| VOMF  | = | Variable Operation and Maintenance Fee             |
| AFC   | = | Actual Fuel Cost                                   |
| 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:

$$CRF = CRFR \times CC \times F$$

Where:

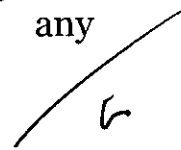
|      |   |                                                                  |
|------|---|------------------------------------------------------------------|
| CRFR | = | Capital Recovery Fee Rate of PHP 250.18/kw/month                 |
| CC   | = | Contracted Capacity                                              |
| F    | = | Outage Factor as derived using the following formula to be used. |

Where:

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

Where:

|      |   |                                                                                                                            |
|------|---|----------------------------------------------------------------------------------------------------------------------------|
| 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.

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

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

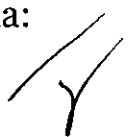
$$\text{If } \Sigma ED = \Sigma TMED, F = 1$$

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 the scheduled maintenance of these generating units.

$$\text{If } \Sigma ED < \Sigma TMED, F < 1$$

## **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:



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

Where:

- FOMR = Fixed O&M Fee Rate of Php 219.00/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 31 December 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 as of 31 December 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 31 December 2013 as published by Bangko Sentral ng Pilipinas
- FPPI<sub>n</sub> = 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 31 December 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

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

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

$$\text{If } \Sigma ED = \Sigma TMED, F = 1$$

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 the scheduled maintenance of these generating units.

$$\text{If } \Sigma ED < \Sigma TMED, F < 1$$

### **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:



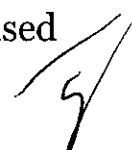
$$VOMF = \left\{ VOMFR \times \left[ \left( 0.10 \times \frac{CPI_n}{CPI_o} \right) + \left( 0.60 \times \frac{WPC_n}{WPC_o} \right) + \left( 0.30 \times \frac{EU_n}{EU_o} \times \frac{FPPIn}{FPPIo} \right) \right] \right\} \times ED$$

Where :

|                   |   |                                                                                                                                                              |
|-------------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------|
| VOMF              | = | Variable O&M Fee, in Pesos                                                                                                                                   |
| VOMFR             | = | Variable O&M Fee Rate of Php 0.18/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 31 December 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 31 December 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 31 December 2013 as published in the International Financial Statistics of IMF                        |
| 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 as of 31 December 2013.               |

#### **4. Actual Fuel Cost (AFC)**

The 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:

$$Total AFC = FCRF + FCRFadj$$

Where:

- FCRF = Base Fuel Cost Recovery Fee
- = FCR x ED
- FCR = Fuel Price of P7.404/kWh, based in December 2013 delivered price of Bunker C Fuel Oil at plant site of P32.0029/liter, density of 0.9855 kilogram/liter and Specific Fuel Oil Consumption of 0.2464 kg/kWh.
- FCRFadj = Fuel Cost Recovery Adjustment based on MOPS price of Bunker C/Heavy Fuel Oil (HFO) deliveries during period of price determination in Peso/liter
- = (FCn - FCo) x 0.2464 kg/kWh x ED
- FCn = The average MOPS price of Bunker C Fuel Oil/Heavy Fuel Oil (HFO) deliveries during the period of price determination in Peso/liter
- FCo = The December 2013 reference price of MOPS Bunker C Fuel/Heavy Fuel Oil (HFO) fuel at Php 32.0029/liter (delivered) in Peso/liter

**5. 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 the Buyer. 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:

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

| Type of Start-Up                                                  | Liters of Diesel Fuel |
|-------------------------------------------------------------------|-----------------------|
| Cold Start-up (more than or equal to <u>10</u> hours of shutdown) | <u>600</u>            |
| Warm Start-up (less than <u>10</u> hours of shutdown)             | <u>300</u>            |

**6. 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.

**7. 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.

**8. Value Added Tax**

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

$$VAT = (CRF + FOMF + VOMF + AFC + Start - Up Cost + RCEC + BCEC) \times 0.12$$

A sample computation of the fees is contained in Schedule C of the PSA.

- 19.1. **Basis for indexation.** As indicated in the formulas above, the monthly fees to be paid by CEPALCO are subject to adjustments based on various indices or factors.
- 19.2. The foreign currency-denominated components of the Operation and Maintenance Fees are adjusted based on the foreign exchange rate and the appropriate foreign price indices; the peso-denominated components are adjusted based on local price indices. The Actual Fuel Costs vary based on the applicable fuel cost index.
- 19.3. **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 Application as **Annex "L"**.

**20. Project Cost/Financial Plans.**

- 20.1. **Project Cost.** A summary of the costs of the project is attached as **Annex "M"** of the Application.

14

**21. Cash Flow.**

**21.1. Breakdown of Operating and Maintenance Expenses.** A detailed breakdown of the projected operating expenses is attached to the Application as **Annex "N"**.

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

**21.3.** There is no minimum energy offtake under the PSA. As WMPC will dedicate the Contracted Capacity to CEPALCO, 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.

**21.4.** 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 CEPALCO for a given billing month, is less than the Contracted Capacity, the difference between the actual capacity utilized by CEPALCO and Contracted Capacity for that billing month shall be deemed delivered to and utilized by CEPALCO.

**22. Fuel supply.** In order to ensure the supply of fuel for the operations of the WMPC Power Station, WMPC makes 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 contracted with the best offeror.

**22.1.** In accordance with the policy of the Commission, WMPC shall derive no revenue whatsoever from the fuel supply.

**23. Environmental Compliance Certificate.** The Department of Environment and Natural Resources (DENR) has issued the Environmental Compliance Certificate (ECC) covering the WMPC Power Station (a copy of the ECC is attached as **Annex "O"** of the Application).

4

24. **DOE Accreditation.** The Department of Energy (DOE) has accredited the WMPC 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 Application as **Annex “P”**.
25. **Certificate of Compliance (COC).** The Commission issued a COC (**Annex “Q”** of the Application) for the WMPC Power Station.

**RATE IMPLICATIONS OF THE POWER SALES AGREEMENT**

26. In order to determine the impact of the implementation of the PSA on CEPALCO’s generation costs, an analysis was conducted to determine the overall cost of power with supply from WMPC and the cost without supply from WMPC.
27. As shown by the analysis, the supply from WMPC will result in a lower cost of purchased power, which will translate to lower generation cost to CEPALCO’s customers. A copy of the said analysis is attached to the Application as **Annex “R”**.
28. The results of the said analysis are summarized herein below:

| Power Suppliers                | With WMPC           |                           | Without WMPC        |                           |
|--------------------------------|---------------------|---------------------------|---------------------|---------------------------|
|                                | Total kWh Purchased | Net Generation Cost, Peso | Total kWh Purchased | Net Generation Cost, Peso |
| Existing Suppliers             | 84,841,904          | 377,732,972               | 84,841,904          | 377,732,972               |
| WMPC                           | 8,130,000           | 58,306,325                | -                   | -                         |
| Alternative Supplier           |                     |                           | 8,130,000           | 60,086,083                |
| <b>TOTAL</b>                   | <b>92,971,904</b>   | <b>436,039,297</b>        | <b>92,971,904</b>   | <b>437,819,055</b>        |
| Ave. Generation Cost, in P/kWh |                     | 4.6900                    |                     | 4.7092                    |
| <b>RATE IMPACT, P/kWh</b>      |                     |                           |                     | <b>(0.0191)</b>           |

**ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY (PA)**

29. As mentioned above, CEPALCO’s forecasted demand is expected to increase steadily in the coming years. Moreover, PSALM, which supplies a significant portion of CEPALCO’s current power requirements, significantly reduced its firm supply commitments to CEPALCO when their CSEE expired last 25 March 2015.

/s/

30. PSALM has not renewed the CSEE, and its current supply to CEPALCO is on a month-to-month basis, without certainty on the contract levels.
31. Notably, CEPALCO's franchise area includes Cagayan de Oro, which is the regional center and business hub of Northern Mindanao, as well as the PHIVIDEC area. Any insufficiency in power supply will significantly cause disruption of the commercial activity within the area, not to mention the considerable difficulties it brings to all electricity consumers.
32. A provisional approval of the present Application will greatly redound to the benefit of CEPALCO's customers by providing stable and reliable power supply.
33. Hence, Applicants move for the provisional approval of their Application pursuant to Rule 14 of the ERC's Rules of Practice and Procedure. A copy of the sworn statement supporting the said motion is attached as **Annex "S"** of the Application.

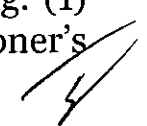
#### **PRAYER**

CEPALCO and WMPC pray that the Commission grants the following:

1. immediately issue an Order provisionally approving the PSA subject of their Application, including the generation rate and adjustment mechanisms indicated therein; and
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 **17 March 2016 (Thursday) at ten o'clock in the morning (10:00 A.M.) at CEPALCO Administration Bldg., Masterson Avenue, Upper Balulang, Cagayan de Oro City.**

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 wish to have a copy of the Application may request from the Applicants that they be furnished with the same, prior to the date of the initial hearing. Applicants are hereby directed to furnish all those making such request with copies of the Application and its attachments, subject to the reimbursement of reasonable photocopying costs. Any such person may likewise examine the Application and other pertinent records filed with the Commission during the standard office hours.

**WITNESS**, the Honorable Chairman, **JOSE VICENTE B. SALAZAR**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 2nd day of February 2016 at Pasig City.

  
**ATTY. NATHAN J. MARASIGAN**  
*Chief of Staff*  
Office of the Chairman and CEO