

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ELECTRIC POWER
PURCHASE AGREEMENT
(EPPA) FOR UNIT 2
BETWEEN THE ILOILO I
ELECTRIC COOPERATIVE,
INC. (ILECO I) AND PALM
CONCEPCION POWER
CORPORATION (PCPC)**

ERC CASE NO. 2016-086 RC

**ILOILO I ELECTRIC
COOPERATIVE, INC. (ILECO
I) AND PALM CONCEPCION
POWER CORPORATION
(PCPC),**

Applicants.

X ----- X

DOCKETED
Date: **NOV. 28 2016**
By: _____

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

On 29 April 2016, Applicants Iloilo I Electric Cooperative, Inc. (ILECO I) and Palm Concepcion Power Corporation (PCPC), filed an Application dated 25 April 2016 (Application) seeking the Commission's approval of the Electric Power Purchase Agreement (EPPA) for Unit 2 entered into by both parties.

In their Joint Application, ILECO I and PCPC alleged the following:

Parties to the Case

1. Applicant ILECO I is an electronic Cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Brgy. Namocan, Tigbauan, Iloilo, Philippines 5021. It has been granted

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an exclusive franchise by the National Electrification Administration (NEA) to distribute electric service in the Municipalities of Alimodian, Cabatuan, Guimbal, Igaras, Leganes, Leon, Maasin, Miag-ao, Oton, Pavia, San Joaquin, San Miguel, Santa Barbara, Tigbauan, and Tubungan, all in the Province of Iloilo. A copy of its NEA Certificate of Registration is attached to this Application as Annex "A".

2. Applicant PCPC is a domestic corporation duly organized and existing under the laws of the Republic of the Philippines with principal office address at Brgy. Nipa, Municipality of Concepcion, Province of Iloilo. PCPC is in the process of constructing Unit 2 of the 2 x 135 MW clean coal-fired power plant (the "Power Plant"), which it shall own, operate, and maintain, located at Brgy. Nipa, Municipality of Concepcion, Province of Iloilo.

3. Copies of PCPC's Certificate of Registration, Articles of Incorporation, latest General Information Sheet, ("GIS"), and latest Audited Financial Statements are attached hereto as Annexes "B", "C", "D", and "E" respectively and all made integral parts hereof. Applicant PCPC is in the process of applying with the Board of Investments (BOI) for registration of Unit 2 of the Concepcion Power Plant Project. Applicant PCPC undertakes to submit its BOI registration for Unit 2 once it is registered.

4. A summary of the relevant technical characteristics of Unit 2, which is an exact copy or duplicate of Unit 1 of the Power Plant is attached hereto as Annex "F" and made integral part hereof.

5. A summary of the transmission projects or grid connection projects necessary to complement the PCPC Power Plant, including Unit 2 thereof is attached hereto as Annex "G" and made an integral part hereof.

Nature of the Application

6. Pursuant to Rule 20 (B) of the Energy Regulatory Commission's 2006 Rules of Practice and Procedure (the "ERC Rules") and other pertinent rules and regulations, this Application is being submitted to this Honorable Commission for the approval of the Electric Power Purchase Agreement for Unit 2 of the Concepcion Power Plant ("EPPA for Unit 2") entered into by and between Joint Applicants ILECO I and PCPC. A copy of the EPPA for Unit 2 is attached as Annex "H" of this Application and made an integral part hereof.

7. As will be elaborated further below, the subject EPPA and LOA were entered into by Joint Applicants in November and April 2015. Thus, in accordance with Resolution No. 1, Series of 2016 promulgated by the Honorable Commission last 15 March 2016, the EPPA is not yet covered by the requirement for a competitive selection process in the procurement of power supply for captive customers of distribution utilities.

Compliance with Pre-Filing Requirements

8. In compliance with the pre-filing requirements mandated under Rule 3, Section 4 (e) of the Implementing Rules and Regulations of Republic Act No. 9136, otherwise known as the EPIRA, Rule 6 of the ERC Rules, Joint Applicants furnished the legislative bodies of the local government units where they principally operate with a copy of the present Application together with all the annexes and accompanying documents. Copies of the Affidavits of Service on the Presiding Officer or Secretary of their duly authorized representatives, of the legislative bodies of the Province of Iloilo and the Municipalities of Tigbauan and Concepcion, both in Iloilo where Applicants principally operate, attesting to the fact of such service are attached hereto as Annexes "I" to "I-2".

9. In addition, Joint Applicants caused the publication of the instant Application in its entirety in a newspaper of general circulation within the franchise area of Applicant ILECO I. Copies of the newspaper where the publication of this Application appeared and the corresponding Affidavit of Publication from the publisher of such newspaper attesting to such publication are attached hereto as Annexes "J" and "J-1".

Statement of Facts and of the Case

10. Applicant PCPC sent a letter to the Board of Directors of ILECO I offering to supply a portion of its power requirements from the Unit 2 of the PCPC Power Plant by 2018. The representatives of the PCPC thereafter made multiple presentations to the Board of Directors of ILECO I on the proposed supply of power from Unit 2 of the PCPC Power Plant.

11. Joint Applicants PCPC and ILECO I thereafter commenced negotiations for the execution of the EPPA for Unit 2. Applicant ILECO I considered the need to address the security of the long term power supply requirements of the consumers in its franchise area which is projected to increase yearly up to 2019 and onwards and the prudence and wisdom of sourcing a portion of its power requirements from a new power plant in Panay that is not its current supplier in order to improve the reliability and security of the supply of power to its franchise area.

ILECO I DEMAND-SUPPLY PROJECTIONS

12. The franchise area of ILECO I had a total peak power demand of 49:32 MW in the year 2016. Currently, ILECO I sources its electric power requirements from the following suppliers:

- a. 3.5 MW from Panay Energy Development Corp. under a Power Supply Contract until April 2036;

b. 18 MW from the Green Core Geothermal Inc. under a Power Supply Agreement until December 2022;

c. 8 MW from Panay Power Corp. under a Power Supply Contract until August 2017;

d. 4 MW from SPC Island Power Corp. under a Power Supply Contract until August 2017;

e. 12.63 MW balance is sourced from the Wholesale Electricity Spot Market (WESM).

13. Thus, currently, only 33.5MW of the total demand of ILECO I is contracted under bilateral contracts. Further, the demand within the ILECO I franchise area is projected to grow by 6.92% a year from 2015 as demonstrated in its Distribution Development Plan. Thus, by 2019, the total demand of ILECO I will be 59.1MW. 11MW of this load growth of ILECO I is what is sought to be supplied under the EPPA for Unit 2 with OCOC as amended by the LOA. This is consistent with the Distribution Development Plan of Applicant ILECO I, a copy of which, with its load curve, is attached hereto as Annex "K".

14. The Department of Energy (DOE) has projected that the Visayas Grid will need an additional MW of generating capacity by 2015. A copy of the supply-demand scenario for 2012 to 2030 as projected by the DOE in the 2012 Supply-Demand Outlook, as available in http://www2.doe.gov.ph/news/2013_Supply-Demand_Outlook.pdf is attached hereto as Annex "L" and made an integral part hereof.

15. In the attached 2012 DOE Supply-Demand Outlook, it is clearly indicated that the DOE has programmed the second 135 MW unit of PCPC in Concepcion, Iloilo to address the additional generating capacity requirements of the Visayas Grid by 2017/2018.

16. A copy of the Certification from NPC/PSALM that ULECO does not have any TSV/CSEE with NPC/PSALM is attached hereto as Annex "M" and made integral part hereof.

Details on the Procurement Process undertaken by applicant ILECO I

17. As stated earlier, Applicant PCPC sent a letter to Applicant ILECO I offering to supply base load power from Unit 2 of its Power Plant beginning 2018. Applicant PCPC made presentations to the Board and Management of ILECO I.

18. After a due diligence evaluation, Applicant ILECO I determined that the offer of PCPC to supply a portion of its power requirements by 2018 was very suitable since it was from a brand new power plant in Panay that could reasonably be expected to add new capacity to the Panay Grid by 2018;

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19. Applicant ILECO I also determined that the PCPC Unit 2 power supply offer had a tariff that was cheaper than its current new contract with its other coal power plant supplier and was actually the lowest offered tariff among the new coal power plants in Visayas.

20. Applicant ILECO I further determined that it would be better to contract with a new power plant in Panay that was not yet its current supplier so that it would have an additional source of power supply which could continue to provide power supply to ILECO I should any of its current suppliers suffered outages thus improving the reliability and security of its power supply.

21. Applicant PCPC is in the process of amending its ECC No. 0606-006-402 for the Concepcion Power Plant to include the second 135MW Unit. It has already completed the public consultations and scoping for the amendment. Applicant PCPC undertakes to submit the amended ECC once it is approved.

22. Applicant PCPC has already requested for a Certification from the DOE Power Development Plan. Applicant PCPC undertakes to submit the said Certification once it is released by the DOE.

23. With the completion and coming in of Unit 2 of the PCPC power plant, it will address the growing power requirements of the ILECO I consumers and will prevent a shortage of power supply in its franchise area as well as for the whole of Panay and Visayas Grids. In addition, sourcing power from the PCPC Power Plant will insulate ILECO I consumers from the potential volatility of prices in the spot market. Also, since the PCPC Power Plant will be coal-fires, the electricity it will generate will be much less expensive than other available capacities in Panay which utilize bunker or diesel. Further, Applicant ILECO I determined that its supply of electricity will be more secure if it sourced its requirements from more generating plants/suppliers especially new baseload power plants in Panay Island.

24. Further, since the PCPC Power Plant is also located in Panay Island and connected to the Panay Grid and the power that it will supply to ILECO I need not pass through any submarine cables and will be free from potential line congestion charges or any outages of such cables.

25. Further, Applicants were informed that the Honorable Commission in ERC Case No. 2014-024 RC has already approved the application of NGCP for the early implementation of its planned Northern Panay Transmission Backbone project which includes the Associated Transmission Facilities for the 2x135MW PCPC Concepcion Coal Power Plant that will connect plant to the Panay Grid via two connection points.

26. Given the foregoing determinations, Applicant ILECO I entered into the subject EPPA for Unit 2 with PCPC on 02

November 2015 to ensure the security, affordability, and reliability of its supply of power to meet the demand growth of the consumers in its franchise area to avoid the potential exposure to spot market price volatility.

27. As stated above, under Resolution No. 1, series of 2016 issued by the Honorable Commission, power supply contracts like the EPPA for Unit 2 between Joint Applicants, executed before 30 April 2016 need not undergo a competitive selection process.

28. However, as Joint Applicant ILECO I reassessed its demand-supply projections for 2019 and determined that it would need additional power by then and that of Unit 2 offer of PCPC was still the most advantageous, Joint Applicant ILECO I decided to increase its Contracted Capacity from Unit 2 of the PCPC Concepcion Power Plant by a further 4MW for a total of 11MW Contracted Capacity. This was documented via the execution of a Letter of Agreement (the "LOA") with Joint Applicant PCPC dated 15 April 2016, a copy of which is attached to this Application as Annex "H-1" and made integral part hereof.

**EXECUTIVE SUMMARY AND ABSTRACT OF THE
ELECTRIC POWER PURCHASE AGREEMENT**

29. **Executive Summary.** Under the EPPA for Unit 2 as amended by the LOA, PCPC agreed to supply and deliver, and ILECO I agreed to take and pay for electricity supplied by PCPC from Unit 2 of its Concepcion Coal Plant, at a total contracted capacity of 11MW (the "Contracted Capacity"), with a load factor of 100%, to be Page6of16 delivered in accordance with the Minimum Contracted Energy and the Daily Generation Schedule (DGS) which is fixed on a daily and hourly basis in accordance with the EPPA for Unit 2. In all Intervals as provided under the EPPA for Unit 2, ILECO I shall nominate no less than 50% of its Contracted Capacity.

30. **Monthly Contracted Capacity and Energy.** The agreed monthly contracted capacity and minimum contracted energy under the EPPA for Unit 2 as amended by the LOA between Applicants PCPC and ILECO I is as follows:

| <u>Billing Month</u> | <u>Capacity MW</u> | <u>Minimum Contracted Energy* KWH</u> |
|-----------------------------|-------------------------------|--|
| January | 11 | 8,184,000 |
| February | 11 | 7,392,000 |
| March | 11 | 8,184,000 |
| April | 11 | 7,920,000 |
| May | 11 | 8,184,000 |
| June | 11 | 7,920,000 |
| July | 11 | 8,184,000 |
| August | 11 | 8,184,000 |

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| | | |
|-----------|----|-----------|
| September | 11 | 7,920,000 |
| October | 11 | 8,184,000 |
| November | 11 | 7,920,000 |
| December | 11 | 8,184,000 |

*to be adjusted for allowed outages in the billing period upon commercial operations of the power plant provided that the total contract energy shall not exceed 83,833,200 kWh in an ordinary year.

When ILECO I is unable to take the Contract Energy or a portion thereof for reasons other than Force Majeure, the nominated quantity under the DGS is deemed taken by ILECO I and it shall settle for the entire nominated quantity in accordance with the terms of the EPPA for Unit 2. ILECO I shall, in accordance with the WESM Rules, claim any proceeds on such shortfall from the Market Operator.

31. Delivery Point. The Contracted Capacity and electricity shall be delivered by PCPC to ILECO I at the delivery point which is the High Voltage side of the transformer at the Power Plant as designated in the EPPA (Schedule 3) on the Initial Delivery Date. PCPC shall deliver or cause the delivery of such electricity in accordance with good utility practice and in compliance with appropriate rules and regulations such as the Grid Code and the Distribution Code, the WESM Rules and the Open Access Transmission Service Rules.

32. Initial Delivery Date. The Initial Delivery Date upon which Applicant PCPC must deliver the Contracted Capacity and Energy to Applicant ILECO I under the terms of the EPPA for Unit 2 as amended by the LOA is 26 January 2019. The Electricity Fees under the EPPA for Unit 2 (Schedule 4) are as follows:

SCHEDULE 4
ELECTRICITY FEES FOR UNIT 2

(Commercial Operations)

At Load Factor of 100%

Rate Components

| | | |
|-----------------------|---|---|
| Capacity Recovery Fee | = | PhP 2.33/kwh (fixed) |
| O & M Fee (PhP) | = | PhP 0.315/kwh (as of June 2015 base date) |
| O & M Fee (USD) | = | USD 0.007/kwh (as of June 2015 base date) |
| Fuel | = | PhP 1.55/kwh |
| TOTAL | = | P1W 4.52/kwh |

Note: Fuel costs quoted above is based on November 2015 price of coal per PCPC contract with its coal supplier. Import Duties, Fees and Taxes are assumed to be zero due to the 2015 ASEAN Free Trade Agreement.

Formula:

Electricity Fees = Energy Fees + Actual Fuel Cost

Energy Fees = Tariff Fees x E

Tariff Fees = CRF + O&M Fees

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$$\text{O\&M Fees} = \left(\text{PhPO\&M} \times \frac{\text{PhCPI}_c}{\text{PhCPI}_b} \right) + \left(\text{USDO\&M} \times \frac{\text{PhCPI}_c}{\text{PhCPI}_b} \times \text{Forex} \right)$$

Actual Fuel Cost = [Fuel Cost x E] + Start Up Costs

$$\begin{aligned} &\text{Fuel Cost} \\ &= \left(\frac{(\text{Current Fuel Cost} + \text{Transport Cost})(\text{Forex}) + \text{Import Duties, Fees \& Taxes}}{1000} \right) \\ &\quad \times (\text{Consumption Rate}) \end{aligned}$$

Current Fuel Cost =

$$\text{New C Price Index} \times \left[\frac{5400 \text{ kcal/kg GAD}}{6700 \text{ kcal/kg GAD}} \right] \times (100\% - 17\% \text{ discount rate})$$

Where:

CRF = Capacity Recovery Fee = Php 2.33/k Wh PhP

O&M = Peso-based O&M Fee = Php 0.315/kwh

PhCPI_c = Philippine CPI for the current month for all items as published by the NSO

PhCPI_b = Base Philippine CPI = 141.3 (as of June 2015 base date)

Provided that PhCPI_c/ PhCPI_b shall not be less than 1

USDO&M = U.S. Dollar-based O&M Fee = USD 0.007/kwh

USCPIQ = U.S. CPI for the current month for all items as published by the U.S. Bureau of Labor Statistics (USBLS)

USCPI_b = Base U.S. CPI = 237.786 (as of June 2015 base date)

Provided that USCPI_c/USCPI_b shall not be less than 1

Forex = Reference exchange rate (in PhP per US\$) on the meter reading date, as published by the Bangko Sentral ng Pilipinas (BSP), vw.hs.gov.ph provided that for the O&M Fee, Forex shall be P44.98-SI or the prevailing actual Forex as of meter reading date, whichever is higher.

E = Minimum Contract Energy or Energy Delivered, whichever is higher

New C Price = Running average of the preceding three-month weekly reference price for thermal coals delivered on an FOB basis at Newcastle port for 6700kcal/kg ADB as per the Global Coal New Castle Physical Trading as published in www.globalcoal.com provided that if the said index becomes irrelevant in accordance with Article 4 of the Coal Supply Agreement of SELLER, SELLER may agree on a new index with its coal supplier or source coal from the spot market in order to secure the continued supply of coal for the supply of electricity to BUYER from the Power Plant under this Agreement. SELLER shall be allowed to use such new index or spot price as the basis of the coal costs under this Agreement. Should such occur, SELLER shall inform BUYER of such changes in the basis of the Coal Costs.

Transport Cost = Actual Transport Price per MT unit

Consumption Rate = Actual consumption rate or the ceiling of 0.647kg/kwh whichever is lower escalated at a rate of 1.5% per year

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Start Up Costs =Actual Start Up Costs for the Power Plant pro-rated against the Contracted Capacity of BUYER and the net sellable capacity of SELLER from the Power Plant

33. **Price Formula for Coal.** The agreed coal price formula in the coal supply contract of Applicant PCPC with P.T. Pevensey, its contracted coal supplier is reflected in the Schedules 4 of the EPPA for Unit 2 in accordance with the established policy of the Honorable Commission that fuel costs are on a pure pass-through basis. In the same coal supply contract of Applicant PCPC as submitted and approved by the Honorable Commission in the other Applications for the Approval of EPPA's for Unit 1 of PCPC, it is also stipulated that if the said index becomes irrelevant in accordance with Article 4 of the Coal Supply Agreement, PCPC may agree on a new index with its coal supplier or source coal from the spot market in order to secure the continued supply of coal for the supply of electricity to its customers from the Power Plant under the various EPPA's. PCPC shall be allowed to use such new index or spot price as the basis of the coal costs under the EPPA's.

34. **Details of the Fuel Procurement.** The sworn statement of the details for the fuel procurement of Applicant PCPC for the coal requirements of the Power Plant are attached as Annex "N" and made an integral part of this Application.

35. **Term.** The EPPA shall have a term of fifteen (15) years commencing on the Initial Delivery Date and ending on the fifteenth (15th) anniversary of such commencement date, unless sooner terminated pursuant to the terms of the EPPA for Unit 2. The Initial Delivery Date is the date of the commencement of PCPC's obligation to deliver to ILECO I, and for ILECO I to purchase the Contract Capacity and Contract Energy, provided the Honorable Commission has approved the EPPA for Unit 2.

36. **Allowed Schedule of Outage.** Under the EPPA for Unit 2, PCPC is allowed a Scheduled Outage which shall not exceed thirty (30) days year and an Allowed Unscheduled Outage period of fifteen (15) days per calendar year for Unit 2. Any unutilized Allowed Scheduled Outage periods may be used for Allowed Unscheduled Outages and vice versa but any unutilized Allowed Scheduled and Unscheduled Outage allowances within a calendar year will not be accumulated for use during the succeeding years of the Cooperation Period. PCPC shall schedule an outage only for one unit of the power plant at a given time.

37. **Reduction or Increase in the Contracted Capacity.** ILECO I shall be entitled to a reduction in its Contracted Capacity as a result of the transfer of any of its contestable market to another supplier upon at least sixty (60) days prior notice to PCPC and provided further that: (i) the transfer is direct to the PCPC or (ii) if the PCPC is able to contract with a suitable alternative market to sell the portion of the Contracted Capacity reduced by such contestable market. If a contestable market of ILECO I ceases operations, it is allowed under the EPPA for Unit 2 to reduce its Contracted Capacity to the extent of the aforesaid contestable

market's contribution to the total Contracted Capacity contracted by the ILECO I under the EPPA for Unit 2, provided that such reduction shall be distributed proportionately by ILECO I among all its suppliers of electricity. ILECO I may source any of its additional power requirements from PCPC at the same terms and conditions agreed in the EPPA for Unit 2, subject to the availability of capacity from the Power Plant.

38. Billing Month. A Billing Month under the EPPA for Unit 2 means the period commencing on the first hour of the twenty sixth (26th) day of a calendar month and ending on the last hour of the twenty fifth (25th) day of the next calendar month. Within ten (10) working days after the end of each Billing Month, PCPC shall deliver to ILECO I an invoice in respect of Electricity Fees payable for the previous Billing Month. The due dates for such invoice shall be fifteen (15) calendar days after receipt of such billing. There shall be separate billings and settlements for the EPPA's for Unit 1 and 2 of ILECO I with PCPC, respectively.

39. Prompt Payment Discount. In the event that the full and proper payment for the Electricity is made by ILECO I within seven (7) days from receipt of the invoice, PCPC shall grant to ILECO I a prompt payment discount equivalent to one percent (1%) of the CRF portion of the Electricity Fees (exclusive of, O&M fees, fuel cost and any applicable charges and taxes), corresponding to the energy billed for such Billing Month. All payments under the EPPA for Unit 2 shall be made in Pesos. Further, Applicant ILECO I shall not be required to post a Security Deposit prior to the effectivity of the EPPA for Unit 2.

40. Charges, Expenses and Taxes. In relation to the supply of electricity by PCPC to ILECO I, any charges, costs, expenses, and fees that may be charged to, incurred and/or assumed by PCPC or otherwise imposed by NGCP, any Governmental Authority, the Market Operator or any other third party, for transmission and/or Ancillary Services, market fees and other related services in connection with the delivery of electricity under the EPPA for Unit 2 shall be paid by ILECO I.

41. Causes For Termination. In the event that the EPPA for Unit 2 is terminated by PCPC on the grounds of (a) the failure of ILECO I to pay the Electricity Fees or any other amounts payable under the EPPA for Unit 2; (b) breach by ILECO I of any of the EPPA provisions of the EPPA for Unit 2 and its failure to cure the breach within the prescribed period; and (d) termination by PCPC of the EPPA for Unit 2 upon the occurrence of any events of default under the EPPA for Unit 2, ILECO I shall be liable to pay liquidated damages in the form of a termination penalty amounting to capital recovery fees for the remainder of the Cooperation Period but not to exceed three (3) years. Upon the termination of the EPPA for Unit 2 in bad faith by PCPC, it shall pay ILECO I liquidated damages in the form of a termination penalty amounting to the capital recovery fees as approved by the ERC for the remainder of the Cooperation Period but not to exceed three (3) years.

STAGES OF SUPPLY

42. The Electricity Fees correspond to the different stages of supply of the Power Plant computed in accordance with Schedules 4, 5a and 5b of the EPPA.

43. Testing and Commissioning and Pre-Commercial Operation. In accordance with the policy of the Honorable Commission in Applicant PCPC shall only charge, during the testing, commissioning and pre-commercial operations period for Unit 2 the Variable O&M Fee of P0.1426/kWh and pass on fuel costs for electricity actually delivered during the said periods to Applicant ILECO I.

44. Commercial Operation. During the commercial operations period which shall commence on the Initial Delivery Date, PCPC will deliver to ILECO I on a firm basis, the Contracted Capacity and Minimum Contracted Energy from Unit 2 of the Power Plant, subject to the payment of Electricity Fees by ILECO I computed in accordance with the formula specified in the amended Schedule 4 of the EPPA for Unit 2.

45. The EPPA thus proposes separate rates on the power delivered by PCPC to ILECO I, depending on the stage of the operations of the Power Plant development (i.e., during testing and commissioning, during Pre-Commercial Operation Period, or on Commercial Operations).

IMPACT OF EPPA FOR UNIT 2 ON ILECO I GENERATION COSTS

46. Should the Honorable Commission approve the Electricity Fees under the EPPA as amended by the LOA, there is a projected decrease in the generation cost of ILECO I of Php0.16 per kWh on the Initial Delivery Date in 2019, upon commercial operations of Unit 2 of the Power Plant.

47. Should the Honorable Commission approve the Electricity Fees under the EPPA for Unit 2 as amended by the LOA and allow PCPC to deliver and ILECO I to receive power during the testing and commissioning and pre-commercial operation periods, there will be a decrease in the generation costs of ILECO I of Php1.02 per kWh. A copy of the simulation on the impact of the proposed rates of Applicant PCPC on the generation cost of Applicant ILECO I is attached hereto as Annex "o" and made an integral part hereof;

48. The expected additional capacity from Unit 2 of the PCPC Power Plant even as early as the testing and commissioning and precommercial operations of Unit 2 of the Power Plant will contribute greatly to the improvement of the quality, reliability and affordability of electric power delivered to the consumers of ILECO I and the security of supply and stability of the Panay and Visayas power grids.

49. Under the terms of the EPPA for Unit 2, among the conditions precedent to the performance by ILECO I and PCPC of their respective obligations thereunder is the approval by the Honorable Commission of this Joint Application.

50. Thus, for PCPC to be able to deliver and ILECO I to be able to receive power from the former as early as the testing and commissioning and the pre-commercial operations of Unit 2 of the Power Plant, it is imperative that the Honorable Commission issue a final approval for the EPPA between Joint Applicants after full consideration on the merits.

51. **Certificate of Compliance.** As Unit 2 of the Concepcion Power Plant is still being built, Applicant PCPC has not yet applied for the issuance of a Certificate of Compliance (COC) that will allow it to generate electricity from Unit 2 of the Concepcion Power Plant. Applicant PCPC undertakes that it will secure such COC for its Unit 2 at least three (3) months prior to the testing and commissioning of Unit 2;

52. **Project Cost.** A summary of the relevant information on the project cost for the second 135 MW coal-fired power generation Unit of POPO is provided in the Summary of Project Cost attached as Annex "F" hereto and made an integral part hereof.

53. **Funding and Sources of Funds, Cash Flow and Basis for the Purchased Power Rate.** The Unit 2 Project shall be funded through loans from financial institutions and equity from the shareholders. Summaries of the relevant information on PCPC's sources of funds for the Power Plant including the debt-equity ratio for the Project, cash flow and basis for the purchased power rate in the EPPA for Unit 2 is hereto attached as Annexes "Q", "R" and "5" respectively and made integral parts hereof.

54. **Bank Certification.** Applicant PCPC is still in the process of finalizing its financing for Unit 2 of the Concepcion Power Plant. As such it cannot yet secure any bank certification. As an alternative, Applicant PCPC respectfully submits the indicative Term Sheet for the financing of its Unit 2 Project from BDO Capital and Investments, Inc., the Lead Arranger of the financing for the said project, on the principal amortization, term and interest of the prospective loan which is attached hereto as Annex "T" and made an integral part hereof. Applicant PCPC undertakes that it shall submit the Bank certification and Loan Agreement/s for its Unit 2 project as soon as they are finalized:

55. **Rates Schedule.** The Electricity Fees are computed and specified in Schedules 4 and 5a of the EPPA for Unit 2;

56. **Capital Recovery Fee of PhP2.33/kWh.** The Project Cost for the Unit 2 of the Concepcion Power Plant would yield a Capital Recovery Fee (CRF) of P2.33/kwh.

57. **WESM Membership.** Applicant ILECO I is already a member of the WESM. Applicant PCPC is in the process of finalizing its membership in the WESM and undertakes that it shall submit proof of such membership once it has been approved by WESM.

58. **Agreements on Grid Connection.** The PCPC Power Plant shall be connected to the Visayas grid through the National Grid Corporation of the Philippines. Applicant PCPC has already executed a Connection Agreement with NGCP a copy of which is attached hereto as Annex "U". Applicant PCPC shall enter into a Transmission Service Agreement and Metering Service Agreement with NGCP prior to the time that the Power Plant will require feedback power from the grid.

59. **Board Resolutions.** A copy of the Board Resolution adopted by the Board of Directors of PCPC authorizing the joint filing of the instant application with ILECO I, is attached hereto as Annex "V" and made an integral part hereof. Likewise, a copy of the Board Resolutions passed by the Board of Directors ILECO I approving the execution of the EPPA for Unit 2 and LOA respectively with PCPC and authorizing the joint filing of the instant Application, are attached hereto as Annexes "V-1" and "V-2" and made integral parts hereof;

ALLEGATIONS IN SUPPORT OF MOTION FOR NON-DISCLOSURE OF CONFIDENTIAL INFORMATION

60. Under Article 10 of the EPPA for Unit 2, the Joint Applicants agreed to keep in strict confidence all "Confidential Information" of PCPC, to ensure that no Confidential Information of Applicant PCPC is disclosed to third parties and that they shall use utmost efforts to prevent any unauthorized disclosure of Confidential Information. Such Confidential Information includes any information relating to the operations, businesses, technology, practices, products, marketing, sales, services, finances or legal affairs of PCPC, as well as actual or prospective customers, business partners, market opportunities, business, sales, marketing, technical, financial and legal plans, proposals and projections, product information, know-how, design rights, trade secrets, concepts, techniques, processes, methods, systems, designs, programs, codes, formula, research, experimental works and works in progress.

61. Joint Applicants respectfully request that pursuant to their agreement to maintain in strict confidence all confidential information of PCPC, Annexes "N", "F", "Q", "R", "5" and "T" which contain certain non-public information, data and calculations involving business operations and financial trade secrets reflecting PCPC's investment and business calculations, be treated as confidential documents.

62. Under Rule 4 of the ERC Rules, the Honorable Commission may, upon request of a party and the determination of the existence

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of conditions which would warrant such remedy, treat certain information submitted to it as confidential. Pursuant to such provision, Joint Applicants respectfully requests for the issuance of a protective order declaring the foregoing information, data and calculations contained in Annexes "N", "F", "Q", "R"; "5" and "T" as confidential information.

63. Further, in accordance with Section 1(b), Rule 4 of the ERC Rules, Joint Applicants hereby submit one (1) copy of Annexes "N", "F", "Q", "R", "5" and "T" in a sealed envelope, with the envelope and each page of the document stamped with the word "Confidential".

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that the Honorable Commission that:

1. An Order be issued treating Annexes "N", "F", "Q", "R", "S" and "T" of the instant Application, as confidential documents and the information contained therein as confidential and directing its nondisclosure pursuant to Rule 4, Section 1 of the ERC Rules of Practice and Procedure and prescribing the guidelines for the protection thereof;

2. After full proceedings on the merits, issue a Decision APPROVING the terms of the Electric Power Purchase Agreement for Unit 2 as amended by the Letter of Agreement between Joint Applicants PCPC and ILECO I, thereby authorizing PCPC to charge and collect from ILECO I the Electricity Fees corresponding to the (1) Testing and Commissioning Period, (2) Pre-Commercial Operation Period, and (3) Commercial Operations Date as contained in the EPPA for Unit 2 as amended by the LOA, and authorizing ILECO I to pass the full amount thereof to its consumers;

Joint Applicants pray for all other reliefs just and equitable under the premises.

The Commission has set the Joint Application for initial hearing, expository presentation, pre-trial conference and evidentiary hearing on **12 January 2017 at two o'clock in the afternoon (2:00 P.M.) at ILECO I's Principal Office at Brgy. Namocon, Tigbauan, Iloilo.**

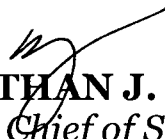
All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and 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. The 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 15th day of November 2016 in Pasig City.


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