



Item No.: 10

Date: 30 2024 JUL



July 24, 2024

SANGGUNIANG PANLALAWIGAN  
Palo, Leyte

THRU: **HON. LEONARDO M. JAVIER, JR.**  
Presiding Officer

Re: IN THE MATTER OF THE JOINT APPLICATION FOR APPROVAL OF THE POWER SUPPLY AGREEMENT (PSA) BETWEEN LEYTE II ELECTRIC COOPERATIVE (LEYECO II) AND KEPCO SPC POWER CORPORATION (KSPC), WITH PRAYER FOR CONFIDENTIAL TREATMENT OF INFORMATION AND MOTION FOR PROVISIONAL AUTHORITY

Gentlemen:

In compliance with the Revised Rules of Practice and Procedure of the Energy Regulatory Commission ("ERC"), we are furnishing this Honorable Office with a complete copy of the above-captioned Application and its annexes.

In line with this, we are requesting for a Certification with Dry Seal from this Honorable Office stating that a complete copy of the Application of the above-captioned case, including its annexes, was served to, and duly received by this Honorable Office today.

Very truly yours,

  
**ENGR. FERNAN PAUL R. TAN**  
*General Manager opd.*

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Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF THE  
JOINT APPLICATION FOR  
APPROVAL OF THE POWER  
SUPPLY AGREEMENT (PSA)  
BETWEEN LEYTE II  
ELECTRIC COOPERATIVE  
(LEYECO II) AND KEPCO SPC  
POWER CORPORATION  
(KSPC), WITH PRAYER FOR  
CONFIDENTIAL TREATMENT  
OF INFORMATION AND  
MOTION FOR PROVISIONAL  
AUTHORITY,**

ERC CASE NO. \_\_\_\_\_

**LEYTE II ELECTRIC  
COOPERATIVE, (LEYECO II)  
AND KEPCO SPC POWER  
CORPORATION (KSPC),**

*Applicants.*

X-----X

**JOINT APPLICATION  
(With Motion for Confidential Treatment of Information and  
Provisional Authority)**

Applicants **LEYTE II ELECTRIC COOPERATIVE** and **KEPCO SPC POWER CORPORATION**, through their respective undersigned counsels, respectfully state:

**THE APPLICANTS**

1. Applicant **LEYTE II Electric Cooperative (“LEYECO II”)** is an electric cooperative duly organized and existing under and by virtue of Presidential Decree No. 269 (PD 269), as amended, and other laws of the Republic of the Philippines, with principal office at Real St., Sagkahan Dist., Tacloban City herein represented by its Board President Imelda F. Lagutan and General Manager Fernan Paul R. Tan evidenced by Board Resolution No. 056A-03-2024 dated March 19, 2024. A copy of which is attached in the

Power Supply Agreement (“PSA”) attached as *Annex “A”* and its sub markings.

2. Applicant **KEPCO SPC Power Corporation (“KSPC”)** is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at the 7<sup>th</sup> Floor, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines, herein represented by its Marketing Assistant Manager, Jude Francis Alphaeus Rendon, and its Market Analysis Assistant Manager, Rovel Tangkay, who has been authorized by its Board of Directors to file the Joint Application as evidenced by the Secretary’s Certificate dated February 9, 2023, attached hereto as *Annex “B.”*

3. Applicant KSPC owns and operates a 2x103 MW Circulating Fluidized Bed Combustor (CFBC) Boiler Coal-Fired base load power plant in the City of Naga, Cebu, which became operational in 2011.

4. Applicants may be served notices, orders, and other processes of the Honorable Commission through their respective counsels at their addresses indicated below.

#### NATURE OF THE APPLICATION

5. This is an application for the approval of the Power Sales Agreement (“PSA”) between LEYECO II and KSPC executed on April 25, 2024. A copy of the PSA is attached hereto as *Annex “A”*

#### STATEMENT OF FACTS

6. LEYECO II is a duly franchised Distribution Utility engaged in the distribution of electricity with its franchise areas in the city of Tacloban, and municipalities of Palo and Babatngon, all in Leyte.

7. The subject Energy and Capacity of the PSA is needed by LEYECO II to meet the demand of the captive market in a least cost manner. A copy of its Supply and Demand Scenario, Details of Existing Suppliers, Contract Utilization is attached as *Annex “C”* and the Average Daily Load Curve is attached as *Annex “D”*.

8. In addition, LEYECO II’s Single Line Diagram is attached as *Annex “E”*, Performance Assessment is attached as *Annex “F”*, and the

Estimated Load Qualified Contestable Customer Under RCOA is attached as *Annex "G"*.

9. Pursuant to DOE Circular No. DC2018-02-0003 as amended by DOLE Department Circular No. DC2021-09-0030 LEYECO II entered into a Joint Competitive Selection Process ("CSP") with other FRECOR 8 DUs. A copy of the Memorandum of Agreement between FRECOR 8 Electric Cooperatives is attached as *Annex "WW"*.

10. FRECOR 8 sent a letter dated dated March 22, 2022 including the proposed "Captive Customer Representative for the Third Party Bids and Awards Committee (TPBAC) Selection Process", copies of the same are hereto attached as *Annex "XX and XX-1"*, respectively, to the Energy Virtual One-Stop Shop ("EVOSS") portal of the Department of Energy ("DOE").

11. The DOE issued a letter dated April 25, 2022 addressed to Mr. Joey L. Talon, President of FRECOR 8, approving the proposed selection process, a copy of which is attached as *Annex "XX-2"*.

12. After approval of the proposed selection process, FRECOR 8 then started accepting applications for the captive customer representatives who will constitute the two (2) other members of the Joint TPBAC of which Mr. Vida O. Ureña and Atty. Kenneth B. Fabila, a member of the Philippine Institute of Certified Public Accountants (PICPA) Tacloban City Chapter, were recommended. Copies of their submitted resume are hereto attached as *Annex "YY and series"*.

13. FRECOR 8 thereafter duly constituted its JTPBAC, the composition of which was approved by the Board of Directors of FRECOR 8 in Resolution Nos. 2021-06-001, 2022-01-003, 2022-03-002, and 2022-08-001, copies of which are also attached as *Annex "YY and series"*.

14. FRECOR 8 JTPBAC then prepared and submitted for approval to the Department of Energy (DOE) through the National Electrification Administration (NEA) the Power Supply Procurement Plan<sup>1</sup> (PSPP), Distribution Development Plan<sup>2</sup> (DDP) and Bid Documents which include the Terms of Reference (TOR), Invitation to Bid (ITB) and Instructions to Bidders.

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<sup>1</sup> Annex UU

<sup>2</sup> Annex TT

15. Finding the TOR for the procurement of power supply in accordance with the comments and recommendations of the DOE and NEA, NEA then issued a Notice to Proceed dated July 19, 2023 including the approved TOR, and Certificate of Posting issued by the DOE dated July 11, 2023, hereto attached as *Annex "ZZ and series"*.

16. Copies of the issued bidding documents are attached as *Annex "AAA and Series"*.

17. With the said Notice to Proceed, the JTPBAC then proceeded with the publication of the ITB in the Philippine Daily Inquirer on July 24, 2023 and July 31, 2023. Likewise, the ITB was posted on the CSP e-based Portal of the DOE website as well as the NEA website. Copies of the pertinent pages of the Philippine Daily Inquirer with the ITB and Affidavit of Publication issued by the Philippine Daily Inquirer as well as the Certificate of Posting issued by LEYECO II including photos of the actual posting on the CSP e-based Portals of DOE and NEA websites are hereto attached as *Annex "BBB and series" and "CCC and series"*, respectively.

18. Within 14 days from publication and posting, the JTPBAC conducted its Pre-Bid Conference on August 4, 2023 at the Summit Hotel, Tacloban City together with potential bidders and CSP Observers, copies of the attendance sheets are hereto attached as *Annex "DDD to DDD-3"*. Thereafter, several bid and supplemental bid bulletins were issued in the course of the CSP to clarify all queries and concerns raised during the Pre-Bid Conference, copies of the said bid bulletins as well as the Minutes of the Pre-Bid Conference are hereto attached as *Annex "EEE and series"*.

19. Thereafter, the submission and opening of bids were then held on August 31, 2023 with CSP observers. Attached as *Annex "DDD-4 to DDD-11"* are the Invitation to Observers, print-out of emails confirming receipt of the invitation, and copies of the attendance sheets. Attached as *Annex "EEE-1-a"* is the portion of the Minutes showing that representatives from NEA virtually attended the activity.

20. A total of three participants - GNPowder Kauswagan Ltd. Co., KEPCO SPC Power Corp., and Sual Power Inc. - purchased bid documents and submitted complete proposals. Copies of their respective Eligibility Requirements and Submission of Bids are hereto attached as *Annex "FFF and series"* and *Annex "GGG and series"*, respectively.

21. After careful evaluation, KSPC was found to have submitted the lowest computed bid proposal of Php5.9382/kWh and was subjected to the next stage of evaluation, which is Post Qualification and Detailed Evaluation of Technical Proposal, wherein it was found to be compliant and responsive to all the specified requirements and conditions. Copies of the Evaluation of Bids are hereto attached as *Annex "HHH and series"*, likewise copies of the JTPBAC Evaluators Report, Evaluators Post-Qualification Report and the Abstract of Bids are hereto attached as *Annex "III to III-2"*.

22. FRECOR 8 then issued a Notice of Award to KSPC which was received by the latter on September 19, 2023, a copy of which is attached as *Annex "III-3"*, likewise a copy of the Resolution of the JTPBAC recommending the awards is hereto attached as *Annex "III-4"*. Attached as *Annex "JJJ"* is a timeline of the activities conducted leading to the issuance of a Notice of Award, including the pre-bidding conferences conducted on August 4, 2023.

23. Joint Affidavits of the members of FRECOR 8 on the conduct of the CSP and Notice to Proceed dated February 26, 2024 issued by NEA as well as a write-up on the posting of a Performance Bond are likewise hereto attached as *Annex "KKK and series"*.

24. Consequently, LEYECO II and KSPC executed a Power Supply Agreement ("PSA") on 25 April 2024, subject of this Joint Application.

25. Thus, this instant Joint Application for the approval of the PSA between LEYECO II and KSPC.

#### **SALIENT FEATURES OF THE PSA**

26. Salient Features of the PSA.

- a. Contracted Capacity shall mean a capacity of 5 MW reserved by the seller for LEYECO II for the duration of the contract period.
- b. Contract Period and Effectivity. The Agreement shall take effect immediately from execution date and shall remain in force and effect until December 25, 2026 (the "Contract Period")

- c. The obligation of the Seller to supply and deliver the Contracted Capacity shall commence on the date specified on the Initial "Day Ahead Nomination" issued by the Buyer and duly received by the Seller, subject to the provisions of Item 2 of the PSA.
- d. Effective Date means the date of the execution of the agreement.
- e. Outages and Replacement Power. The Seller shall guarantee supply and provide the Buyer with the Replacement power sourced from other generating facilities or third parties, including WESM, during Outages of the plant or facility.
- f. The proposed rate is Php5.9382/kWh subject to adjustments, exclusive of VAT, other applicable taxes, fees, and other charges.
- g. K= Seller's Generation charge for the billing month  $m$ ; in Peso,

Computation of "K"

$$K = HCQ_m \times CP_{CUF\%}$$

Where:

$$HCQ_m = \sum_{i=1}^{25} \sum_{j=1}^{24} (HCQ_{ij} - FMQ_{ij})$$

$HCQ_m$  = Total Final HCQ for the billing month  $m$ , kWh

$HCQ_{ij}$  = Final HCQ for the relevant day  $i$  and relevant hour  $j$  of the billing month  $m$ , kWh

$FMQ_{ij}$  = Quantity of energy not deliverable due to Force Majeure for the relevant day  $i$  and relevant hour  $j$  of the billing month  $m$ , kWh.

Contract Price ( $CP_{CUF\%}$ ) = billing price for the billing period  $n$ , PhP/ kWh

$$= \text{Capacity Fee}_{CUF\%} + \text{Energy Fee}$$

Capacity Fee  $_{100\%}$

$$= \text{Capital Recovery Fee} + \text{Fixed O\&M}$$

$$= \text{Php } 0.7397/\text{kWh} + \text{Php } 1.0055/\text{kWh}$$

$$= \text{Php } 1.7452/\text{kWh} \text{ (Fixed Fee)}$$

Energy Fee

$$= \text{VOM} + \text{Fuel Fee}$$

$$= \text{Energy Fee for the billing month } n$$

$$\text{VOM} = \text{VOM}_{\text{base}} \times (\text{PH CPI}_c / \text{PH CPI}_b)$$

Where,

VOM- is the Variable O&M Fee for the billing month n, PhP / kWh

VOM<sub>base</sub>- is the Base VOM Fee, PhP 0.1328 / kWh

PH CPI<sub>c</sub>- Philippine Consumer Price Index (CPI) for all items for the current month as published by the Philippine Statistics Authority

PH CPI<sub>b</sub>- Philippine Consumer Price Index (CPI) of 119.4 as of December 2022 as published by the Philippines Statistics Authority

$$\text{Fuel Fee} = \text{Fuel Fee}_{\text{Base Rate}} \times \left[ \frac{\text{CF}_n}{\text{CFO}} \right] \times [\text{FX}_n]$$

- h. A copy of the Computation of Generation Fee and Contract Price is included in the Power Supply Agreement attached as Annex "A".

27. Estimated Rate Impact. A Rate Impact Analysis based on the latest available rates would show that there would be a decrease in the rates amounting to **P0.0532/kWh** (a decrease from a blended rate of **P6.3424/kWh** to a blended rate of **P6.2893/kWh**). A copy of the Rate Impact Simulation is hereto attached as *Annex "H"*.

28. Environmental Compliance Certificate (ECC). On 10 September 2007, the Department of Environment and Natural Resources (DENR) has issued ECC Transfer of Ownership in favor of KSPC with ECC No. 0511-013- 206. A copy of the ECC is hereto attached as *Annex "I"*.

29. Board of Investments (BOI) Certificate. On a letter from BOI dated 16 January 2024, the Board of Investments has noted the cancellation of BOI CR No. 2008-088 Certification. A copy of the letter from BOI is attached as *Annex "J"*.

30. Certificate of Compliance. The Honorable Commission has issued the Certificate of Compliance ("COC") with COC no. 24-03-M-00068V dated 26 March 2024, for KSPC's power plants. A copy of the COC is attached as *Annex "K"*.



31. Certificate of Endorsement. The DOE has issued a Certificate of Endorsement with No. 2022- 04-160 dated 19 April 2022 for KSPC's plant in barangay Colon, Naga City, Cebu, certifying that the Plant is consistent with the Power Development Plan of the Government. A copy of the Certificate of endorsement is hereto attached as *Annex "L"*.

32. As further support to the instant Joint Application, the Applicants most respectfully submit to the Honorable Commission the following documents in accordance with the Pre-filing Checklist in Resolution No. 38, Series of 2006<sup>3</sup>, Rule 20 B Section 2 of the ERC Rules of Practice and Procedures:

ANNEX	DOCUMENTS/ INFORMATION
M	LEYECO II Articles of Incorporation
N	LEYECO II By-Laws
O	LEYECO II Verified Certification showing list of Board of Directors
P	LEYECO II Certification of Non- Applicability of DSM
Q	LEYECO II Write-up on Non-Availability of Certification by NPC of Transition Supply Contract and Energy Availability
R	LEYECO II WESM Membership
S	KSPC Articles of Incorporation and By-laws
T	KSPC By- Laws
U	KSPC Verified Certification showing list of Board of Directors
V	Shareholder's Agreement
W	KSPC General Information Sheet
X	KSPC Transmission Service Agreement with NGCP
Y	Executive Summary of the LEYECO II and KSPC PSA
Z*	KSPC's Financial Model
AA*	Sworn Statement on Fuel Procurement
BB*	Relevant technical and economic characteristics of generation capacity

<sup>3</sup> Resolution No. 38, Series of 2006 – A Resolution Promulgating the Energy Regulatory Commission's Rules of Practice and Procedure.

CC*	KSPC's 2022 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows
DD	KSPC's WESM Registration
EE*	Breakdown of FOM and VOM
FF*	Narrative on Sources of Funds, Generation Rates, Cash Flow
GG*	Sources of Funds (Certification from Banks and Bank Certification)
HH*	Sources of Funds (Project Cost, ROI, WACC, Life of Asset vs Term of Loan)
II, and II-1*	Fuel Contract, Amended Fuel Contract
JJ*	Derivation of Rates (Excel File)
KK*	MEOT Allocation to the generating units
LL*	Certifications of Net Heat Rate
MM*	NWRB Water Permit
NN*	<p>WRITE UP FOR NON-APPLICABILITY OF DOCUMENTS (KSPC):</p> <ul style="list-style-type: none"> <li>● Renewable Energy Service Contract</li> <li>● Certificate of Registration or Certification of Commerciality by an RE Developer and after due confirmation by the DOE</li> <li>● Requirements under emergency procurement</li> <li>● BIR Receipts</li> <li>● Seller's Receipts</li> <li>● Purchase Orders with Annotation of Acceptance or Transfers</li> <li>● Deeds of Sale and other Other Forms of Conveyance of Ownership</li> <li>● Potential Cost (absolute amounts and PhP/kWh) of Ancillary Services as and when the IPP or the DU is connected to the main grid.</li> <li>● Basis/rationale/derivation of Other Charges such as replacement, start-up, pre-commercial, and ancillary costs.</li> </ul>

	• Distribution Wheeling Service Agreement
OO and series	LEYECO II Certificate of Email Registration
PP and series	KSPC Certificate of Email Registration
QQ	LEYECO II Transmission Service Agreement
RR	LEYECO II Metering Service Agreement
SS	Sample Power Bill
TT	DDP
UU	PSPP
VV*	EPC Contract (Confidential)

\*Subject to the Motion For Confidential Treatment of Information

#### ALLEGATIONS IN SUPPORT OF THE MOTION FOR CONFIDENTIAL TREATMENT OF INFORMATION

33. Section 1, Rule 4, of the ERC Revised Rules of Practice and Procedure provides that a party to a proceeding before the Honorable Commission may move for information to be treated as confidential.

34. KSPC prays that the information contained in the documents attached as Annexes "Z", "AA", "BB", "CC", "EE", "FF", "FF-1", "GG", "HH", "II", "II-1", "JJ" and "VV" be treated as confidential and that the same be continuously protected from public disclosure, except to the officers and staff of the Honorable Commission. In particular, these are the documents for which confidential treatment is sought as they contain trade secrets and/or commercially-sensitive data about KSPC's plant operations and pricing strategies:

ANNEX	DOCUMENT
Z	KSPC's Financial Model
AA	Sworn Statement on Fuel Procurement
BB	Relevant technical and economic characteristics of generation capacity

CC	KSPC's 2022 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows
EE	Breakdown of FOM and VOM
FF	Narrative on Sources of Funds, Generation Rates, Cash Flow
GG	Sources of Funds (Certification from Banks and Bank Certification)
HH	Sources of Funds (Project Cost, ROI, WACC, Life of Asset vs Term of Loan)
II, and II-1	Fuel Contracts
JJ	Derivation of Rates (Excel File)
VV	EPC Contract

35. The competitors of KSPC will gain undue advantage and use the information in their own operation, if they obtain the information provided in the documents requested to be confidential.

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

36. LEYECO II and KSPC replead, by reference, all the foregoing allegations.

37. LEYECO II and KSPC pray for the issuance of a provisional authority prior to final decision pursuant to *Section 1, Rule 14* of the *ERC Revised Rules of Practice and Procedure*, which provides:

Section 1. Provisional Authority or Interim Relief. – For applications or petitions covered by Section 1, Rule 6 of these Rules, the Commission may grant either a provisional authority or an interim relief, upon motion included in the application or petition and indicated in the caption thereof that such relief is requested x x x.

38. In view of the foregoing, there is a need for the issuance of a Provisional Authority in the meantime that this Joint Application is still pending evaluation and resolution of Honorable Commission, for the immediate implementation of this PSA for the benefit of LEYECO II's member consumers.

39. An Affidavit of Merit in support of the prayer for provisional authority is hereto attached as *Annex "XX"*.

**PRAYER**

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

1. Give due course to the instant application.
2. Issue an Order:
  - a. Treating the Confidential Documents and the information contained therein as confidential
  - b. Directing their non-disclosure pursuant to Rule 4 of the ERC Rules, and
  - c. Prescribing guidelines for the protection of the said documents.
3. Upon initial review of this Application and pending hearing on the merits, issue an Order provisionally approving the PSA between LEYECO II and KSPC, thereby authorizing KSPC to charge and collect from LEYECO II electricity fees based on rates that this Honorable Commission may provisionally approve, and authorizing LEYECO II to pass the full amount thereof to its customers; and.
4. After trial on the merits, issue a Decision approving the PSA, thereby confirming the compliance by LEYECO II and KSPC to the rules governing power supply, and further confirming the effective rate charged, collected, and paid in connection with this PSA.
5. To authorizing KSPC to charge and collect from LEYECO II the electricity fees based on the final rates approved by this Honorable Commission, and authorizing LEYECO II to pass the full amount thereof to its customers.

Other relief and remedies consistent with law, justice, and equity are likewise prayed for.

Cebu City and Tacloban City, Philippines, 09 July 2024.

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MCLE Compliance Exempt Pursuant to MCLE Governing Board No. 1,  
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MCLE Compliance No. VII-0002803

Valid until 14 April 2025



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