

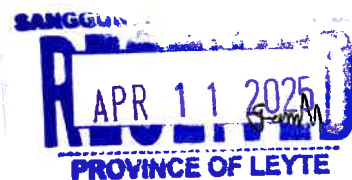


Item No.: 09
Date: 22 2025 APR

April 07, 2025

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 KEPKO SPC POWER CORPORATION (KSPC), WITH PRAYER FOR CONFIDENTIAL TREATMENT OF INFORMATION AND MOTION FOR PROVISIONAL AUTHORITY" ERC CASE NO. 2025-024 RC

Gentlemen:

In compliance with the Rules of Practice and Procedure of the Energy Regulatory Commission ("ERC") and the Order and Notice of Virtual Hearing of the ERC, we are furnishing this Honorable Office with the said Order and Notice both dated March 20, 2025.

In line with this, we are requesting that the said Order and Notice of Virtual Hearing be posted on the Sanggunian bulletin board of this Honorable Office, in compliance with the said Order and the Rules of Practice and Procedure of the ERC.

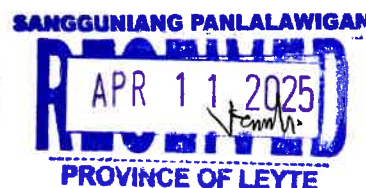
Consequently, we are also requesting for a **Certification of Posting with Dry Seal** from this Honorable Office stating that a complete copy of the Order and Notice of Virtual Hearing both dated March 20, 2025, of the above-captioned case was served to, duly received, and duly posted by this Honorable Office.

Very truly yours


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

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. 2025-024 RC

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

Applicants.

X-----X

Promulgated:
March 20, 2025

ORDER

On 28 January 2025, the Leyte II Electric Cooperative, Inc. (LEYECO II) and KEPCO SPC Power Corporation (KSPC) filed their *Joint Application* dated 19 December 2024, seeking the Commission's approval of their Power Supply Agreement (PSA), with prayer for confidential treatment of information and motion for issuance of provisional authority.

The pertinent allegations in the said *Joint Application* are hereunder quoted, as follows:

XXX

THE APPLICANTS

1. Applicant **LEYTE II ELECTRIC COOPERATIVE, INC. ("LEYECO II")** is a non-stock, non-profit 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 Street, Sagkahan District, Tacloban City, herein represented by its Board President, Feliciano E. Elizon, Jr., and General Manager, Engr. Fernan Paul R. Tan evidenced by a Board Resolution specifically issued for such purpose. A copy of which is attached hereto as **Annex "KK"**.
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 7th 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 28, 2024, attached hereto as **Annex "LL."**
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 September 13, 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 the municipalities of Palo and Babatngon, all in the Province of 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, Average Daily Load Curve, PSPP and DDP are attached as **Annex "G and series"**.

**BRIEF DISCUSSION OF THE COMPETITIVE SELECTION
PROCESS**

8. On December 16, 2023, the Board of Directors of LEYECO II passed Board Resolution No. 012-01-2024, formally constituting the Bids and Awards Committee (BAC) to oversee the procurement process for 20MW Baseload Requirement for the period August 12, 2024 to August 25, 2024, namely:

| | | |
|----------------|---|-----------------------------|
| Chairman | : | Atty. Tyron Jan G. Albao |
| Vice-Chairman: | | Engr. Rommel P. Moron |
| Member | : | Engr. Gil T. Caidic |
| Member | : | Atty. Peter Joven Y. De Ono |
| Member | : | Yves Henry O. Barril, CPA |

Copies of the Board Resolution No. 012-01-2024, Board Resolution No. 225-12-2023 and the selection process are hereto attached as ***Annex "CSP-A", "CSP-A-1" and "CSP-A-2", respectively;***

9. Thereafter, the BAC conducted a series of meetings and workshops to prepare the documents needed for the CSP. This included the preparation and submission to the National Electrification Administration (NEA) and the Department of Energy (DOE) of each of the member EC's Distribution Development Plan (DDP) and Power Supply Procurement Plan (PSPP) as well as the preparation and formulation of Bidding Documents for the conduct of CSP such as the Terms of Reference, Invitation to Bid, Instructions to Bidders, the draft Power Supply Agreement, Bid Forms, Bid Securities and Warranties, and Certifications and Undertakings, among others. These documents outlined the requirements, criteria and procedures for the procurement process. Copies of the documents are hereto attached as ***Annex "CSP-B" and series.***
10. A list of CSP Observers was also prepared from different offices from the ERC, NEA, DOE, Consumer and Community Representatives, as well as Interested Civil Society Organizations and Consumers and Regional Development Council – Eastern Visayas (Region 8). A copy of the list of CSP Observers is hereto attached as ***Annex "CSP-C" and series.***
11. On January 13, 2024, the LEYECO II BOD then passed Board Resolution No. 011-01, Series of 2024, endorsing the bidding documents to NEA for their review and approval. Thereafter, the bidding documents were submitted to NEA in Microsoft Excel and PDF format together with the Board Resolution No. 011-01, Series of 2024, and List of Observers on January 17, 2024. A copy of the Board Resolution No. 011-01-2024 is hereto attached as ***Annex "CSP-D" and series;***
12. On February 19, 2024, the BAC received a copy of the Notice to Commence dated February 16, 2024, where the submitted bidding documents were found to be in accordance with the minimum requirements of the NEA CSP Guidelines and that

LEYECO II may proceed with the conduct of the CSP. Copies of the Notice to Commence and the proof of receipt thereof are hereto attached as ***Annex "CSP-E" and Annex "CSP-E-1", respectively;***

13. On February 21, 2024, the BAC sent a letter, together with the Bidding Documents and other required attachments, to the DOE through NEA requesting for the issuance of a Certificate of Conformity. On February 27, 2024, the BAC received the Certificate of Conformity and proceeded with the publication of the Invitation to Bid and the TOR. A screenshot of the email request is hereto attached as ***Annex "CSP-F"***.
14. On March 01, 2024, DOE and ERC were notified of the Certificate of Conformity with Invitation to Bid and Terms of Reference. A copy of the Certificate of Conformity is hereto attached as ***Annex "CSP-G"***.
15. Thereafter, on March 7, 2024, the BAC proceeded to publish the ITB through Philippine Daily Inquirer. This is to ensure widespread dissemination of the procurement activity. A copy of the first publication is hereto attached as ***Annex "CSP-H" and series.***
16. The said ITB was likewise posted on the CSP E-based Portal of the DOE and the NEA website, as well as LEYECO II's website. Copies of the proof the said postings are hereto attached as ***Annex "CSP-I" and series, "CSP-J" and series and "CSP-K", respectively;***
17. In the meantime, the BAC started the issuance of the Bidding Documents on March 07, 2024, which were purchased by several potential bidders including KEPCO SPC Power Corporation;
18. Thereafter, a second publication of the ITB was made through the Philippine Daily Inquirer on March 14, 2024. On even date, the same was likewise posted on the CSP E-based Portal of the DOE and the NEA website, as well as LEYECO II's website and facebook page. A copy of the second publication is hereto attached as ***Annex "CSP-L" and series;***
19. On March 15, 2024, the BAC then sent Invitations to CSP Observers to various stakeholders, including the NEA, DOE, and ERC, to attend the Pre-Bid Conference on March 22, 2024. Copies of the proof thereof are hereto attached as ***Annex "CSP-M" and "CSP-M-1", respectively;***
20. On March 22, 2024, the Pre-Bid Conference was conducted to provide an opportunity for the bidders to seek clarifications on the issued bidding documents and to inform them of any revisions made in the said documents. The Pre-Bid Conference were attended by several bidders including KSPC, FDCMPC, GNPK, and CEDC. Copies of the Attendance Sheets and Minutes of the proceeding are hereto attached as ***Annex "CSP-N" and series, respectively;***

21. The BAC issued several supplemental bid bulletins for the revisions in the bidding documents based on the comments and clarifications of the bidders during the Pre-Bid Conference. The said Supplemental Bid Bulletins were also posted on the DOE CSP E-based Portal. Copies of the Supplemental Bid Bulletins and proofs of posting thereof are hereto attached as ***Annex “CSP-O” and series;***
22. On April 25, 2024, the BAC issued Bid Bulletin No. 07 deferring the submission and opening of bids, which was originally set on April 29, 2024, due to an emergency meeting called by the National Electrification Administration (NEA), to discuss several issues that may adversely affect the proper conduct of the CSP. A copy of the Bid Bulletin No. 07 is hereto attached as ***Annex “CSP-P”;***
23. On May 15, 2024, the BAC issued Bid Bulletin No. 08 which lifted the deferment and set the new schedule of the submission and opening of bids on June 8, 2024. A copy of the Bid Bulletin No. 08 is hereto attached as ***Annex “CSP-Q”;***
24. On 08 June 2024, the BAC issued the Final Instructions to Bidders and Bid Bulletin No. 09 and other documents as requested by bidders in preparation for the submission and opening of bids. Invitations to CSP Observers were also sent to attend the submission and opening of bids on June 3 and 4, 2024. Copies of the Final Instructions to Bidders and proofs of invitations are hereto attached as ***Annex “CSP-R”, “CSP-S” and “CSP-T”, respectively.***
25. On June 8, 2024, bidders submitted their respective bids. The bids were opened in the presence of BAC, participating bidders and CSP Observers. KEPCO SPC Power Corporation emerged to have the lowest calculated bid. Copies of the conduct of the proceeding and Abstract of Bids are hereto attached as ***Annex “CSP-U” and series, “CSP-V” and “CSP-W”, respectively;***
26. On June 9, 2024, the BAC conducted a post-qualification evaluation of the lowest calculated bid of KEPCO SPC wherein a thorough evaluation to verify the eligibility, capability, and compliance of the bidder with the procurement requirements. A copy of the Post Qualification Report is hereto attached as ***Annex “CSP-X”;***
27. On June 11, 2024, the BAC issued BAC Resolution No. 2024-10, Series of 2024, which recommended to the BOD to award the contract to KEPCO SPC. A copy of the BAC Resolution No. 2024-10 is hereto attached as ***Annex “CSP-Y”;***
28. On June 17, 2024, the BOD through Board Resolution No. 098-06, Series of 2024, approved the BAC’s recommendation to award the power supply contract to KEPCO SPC. A copy of the board resolution is hereto attached as ***Annex “CSP-Z”;***

29. After its receipt of NEA's Notice to Issue Award dated 13 August 2024 last 14 August 2024, on 19 August 2024, the JBAC issued a Notice of Award to KEPCO SPC Power Corporation for the 20 MW baseload demand LEYECO II, which was acknowledged by KSPC on August 19, 2024. Copies of the NEA's Notice to Issue Award, proof of receipt and Notice of Award issued to KEPCO SPC are hereto attached as ***Annex "CSP-AA" and series;***
30. On August 29, 2024, LEYECO II timely submitted to NEA the finalized draft PSA together with the Board Resolution and the justifications to the changes made in the PSA for the issuance of the Notice to Execute Agreement and on 13 September 2024, LEYECO II received NEA's Notice to Execute Agreement dated 12 September 2024. Copies of the finalized draft PSA and Notice to Execute Agreement are hereto attached as ***Annex "CSP-BB" and "CSP-CC", respectively;***
31. Thus, on September 13, 2024, LEYECO II and KSPC executed the Power Supply Agreement (PSA), commencing on the latter of the two dates: (i) August 10, 2024 or (ii) immediately after the issuance by the ERC of a Provisional Authority, or Interim Relief, or Final Authority, until August 23, 2033 with a contract capacity of 20 MW.
32. On September 19, 2024, KSPC posted their Performance Bond in the amount of P220,838,400.00. Thereafter, LEYECO II issued a Notice to Proceed dated September 23, 2024, to KSPC on September 24, 2024, which was acknowledged by KSPC on September 25, 2024. Copies of the Performance Bond and Notice to Proceed are hereto attached as ***Annex "CSP-DD" and series and Annex "CSP-EE" and series;***
33. Hence, this instant *Joint Application* for the approval of the PSA between LEYECO II and KSPC.

SALIENT FEATURES OF THE PSA

31. The PSA between LEYEO II and KSPC contains the following salient features:
 - a. **Contract Term.** This Agreement shall take effect immediately from the Effective Date, and from such date, shall remain in force and effect until August 25, 2034, unless sooner terminated in accordance with this Agreement and upon approval by the ERC.
 - b. **Delivery Date.** KSPC shall commence delivery of Contract Capacity to LEYECO II on the Delivery date. The Delivery Date shall be a date beginning on the receipt of the issuance of the ERC Provisional Authority or Interim Relief, or Final Authority, whichever comes first, provided that LEYECO II has issued an initial day-ahead nomination, duly received by KSPC.
 - c. **Contract Capacity.** This shall mean a capacity of 20 MW, which is reserved by KSPC for LEYECO II for the

duration of the contract period. For the avoidance of doubt, this refers to the estimated capacity of electricity to be made available for Delivery to each LEYECO II Facility.

- d. **Proposed Rates and Rate Impact.** The detailed discussion on rate and its pertinent information thereto are specifically stated in Annex V - Narrative on Sources of Funds, Generation Rates, Cash Flow, which are subject to the Motion for Confidential Treatment of Information.

CONTRACT CAPACITY AND/OR CONTRACT ENERGY¹

| Billing Month | Hours | Contract Capacity (kW) | Minimum Contract Energy (kWh) | Maximum Contract Energy (kWh) |
|---------------|-------|------------------------|-------------------------------|-------------------------------|
| January | 744 | 20,000 | 9,672,000 | 14,880,000 |
| February | 744 | 20,000 | 9,672,000 | 14,880,000 |
| March* | 672 | 20,000 | 8,736,000 | 13,440,000 |
| | 696* | 20,000 | 9,048,000 | 13,920,000 |
| April | 744 | 20,000 | 9,672,000 | 14,880,000 |
| May | 720 | 20,000 | 9,360,000 | 14,440,000 |
| June | 744 | 20,000 | 9,672,000 | 14,880,000 |
| July | 720 | 20,000 | 9,360,000 | 14,440,000 |
| August | 744 | 20,000 | 9,672,000 | 14,880,000 |
| September | 744 | 20,000 | 9,672,000 | 14,880,000 |
| October | 720 | 20,000 | 9,360,000 | 14,440,000 |
| November | 744 | 20,000 | 9,672,000 | 14,880,000 |
| December | 720 | 20,000 | 9,360,000 | 14,440,000 |

**Number of hours for the March billing period during a leap year.*

The Buyer shall be allowed to nominate at least 50% of the Contract Capacity per interval divided by twelve (12) on all 5-minute Trading Intervals, but at the end of the relevant billing period, the Buyer shall be obligated to pay for the product at 65% monthly minimum CUF or actual energy nominated, whichever is higher, and the Total Generation Charge. The Buyer will be billed based on the Minimum Monthly CUF if, at the end of the billing period and after reconciliation, the nomination falls below the Minimum Monthly CUF for reasons other than FM. The maximum contract energy shall be proportionately adjusted to account for the undelivered energy (kWh) due to Force Majeure.

- e. **Capacity Utilization Factor.** The ratio of the amount of energy taken by LEYECO II from KSPC during any Billing Period to the actual capacity made available by KSPC.

¹ Power Supply Agreement, page 21.

LEYECO II shall purchase the Contracted Capacity and pay for the Contracted Capacity from sixty-five (65%) to one hundred percent (100%) Capacity Utilization Factor (CUF), computed per Billing Period, in accordance with Schedule 3² below.

Capacity Utilization Factor (CUF) Price

| CAPACITY FEE C.U.F. | CRF(Php/kW h) | Fixed O&M | |
|------------------------|------------------|------------------------|---------------------------|
| | | Local FOM (Php/kWh) | Foreign FOM (US\$/kWh) |
| | | | |
| 100% | 0.9395 | 0.4134 | 0.0118 |
| 99% | 0.9490 | 0.4176 | 0.0119 |
| 98% | 0.9587 | 0.4218 | 0.0120 |
| 97% | 0.9686 | 0.4262 | 0.0122 |
| 96% | 0.9786 | 0.4306 | 0.0123 |
| 95% | 0.9889 | 0.4352 | 0.0124 |
| 94% | 0.9995 | 0.4398 | 0.0126 |
| 93% | 1.0102 | 0.4445 | 0.0127 |
| 92% | 1.0212 | 0.4493 | 0.0128 |
| 91% | 1.0324 | 0.4543 | 0.0130 |
| 90% | 1.0439 | 0.4593 | 0.0131 |
| 89% | 1.0556 | 0.4645 | 0.0133 |
| 88% | 1.0676 | 0.4698 | 0.0134 |
| 87% | 1.0799 | 0.4752 | 0.0136 |
| 86% | 1.0924 | 0.4807 | 0.0137 |
| 85% | 1.1053 | 0.4864 | 0.0139 |
| 84% | 1.1185 | 0.4921 | 0.0140 |
| 83% | 1.1319 | 0.4981 | 0.0142 |
| 82% | 1.1457 | 0.5041 | 0.0144 |
| 81% | 1.1599 | 0.5104 | 0.0146 |
| 80% | 1.1744 | 0.5168 | 0.0148 |
| 79% | 1.1892 | 0.5233 | 0.0149 |
| 78% | 1.2045 | 0.5300 | 0.0151 |
| 77% | 1.2201 | 0.5369 | 0.0153 |
| 76% | 1.2362 | 0.5439 | 0.0155 |
| 75% | 1.2527 | 0.5512 | 0.0157 |
| 74% | 1.2696 | 0.5586 | 0.0159 |
| 73% | 1.2870 | 0.5663 | 0.0162 |
| 72% | 1.3049 | 0.5742 | 0.0164 |
| 71% | 1.3232 | 0.5823 | 0.0166 |
| 70% | 1.3421 | 0.5906 | 0.0169 |
| 69% | 1.3616 | 0.5991 | 0.0171 |
| 68% | 1.3816 | 0.6079 | 0.0174 |
| 67% | 1.4022 | 0.6170 | 0.0176 |
| 66% | 1.4235 | 0.6264 | 0.0179 |
| 65% | 1.4454 | 0.6360 | 0.0182 |

² Power Supply Agreement, page 22.

- f. **Outages.** The KSPC's total Scheduled and Unscheduled outages should not exceed the ERC-prescribed allowances under the existing guidelines. While the ERC permits certain technologies to have more than 30 days of outage, the total maximum allowed outage shall not exceed 30 days or 720 hours. There shall be no carry-over of any unutilized outage allowances from a calendar year on the succeeding years of the contract term.

In the event the KSPC was only able to provide the partial contract capacity requirement for a specific period, such shortfall shall be considered as an outage resulting in a deduction from the maximum allowed outage through pro-rata computation. Sourcing the contract capacity requirement from another plant within the KSPC's indicated portfolio of power plants shall not be deemed as an outage, provided it meets the required contract capacity.

KSPC shall use its reasonable endeavors to coordinate its maintenance program for the Interconnection Facilities with the approved Scheduled Outages so as to minimize any disruption to the operation of the Facility.

By December of each year or upon the availability of the GOMP, whichever comes earlier, the KSPC shall Submit to LEYECO II its desired schedule of Scheduled Outage periods for the following Year. The outage periods shall be subject to the requirements under DOE guidelines and ERC rules and regulations.

LEYECO II shall notify KSPC in writing whether the requested Scheduled Outage periods are acceptable. If LEYECO II cannot accept any of the requested Scheduled Outage periods, LEYECO II shall advise KSPC of a period when LEYECO II determines such unacceptable Scheduled Outage period can be rescheduled. Such rescheduled period shall be as close as reasonably practicable to the requested period, shall comply with the Minimum Functional Specifications indicated in Schedule 4, and shall be of equal duration as the requested period. KSPC shall conduct Scheduled Outages only during periods agreed to in writing by LEYECO II as aforesaid. The outage periods shall be subject to the approval of requirements under DOE guidelines and ERC rules and regulations.

- g. **Replacement Power.** The procurement of any Replacement Power within the Allowed Outage shall be the responsibility of LEYECO II. During such an outage, LEYECO II shall source Replacement Power from other suppliers or from the WESM, at its own expense. In case

LEYECO II fails to secure its own Replacement Power, KSPC, in coordination with and conformity with LEYECO II, shall provide the Replacement Power. The cost of the Replacement Power shall be paid by LEYECO II.

The procurement of any Replacement Power beyond the Allowed Outage shall be the responsibility of KSPC. In the event of failure by KSPC to provide the Contract Capacity and/or Contract Energy, or KSPC was not able to provide supply from the specific plant provided in this Agreement, including delay in the Commencement of Delivery (COD), LEYECO II shall be allowed to source the Replacement Power at the expense of KSPC. Provided further, that the rates to be charged for the procurement of Replacement Power shall be a) the actual price of the Replacement Power; or b) the approved charge for the PSA, whichever is lower.

In case of delay in the COD and KSPC fails to timely nominate its replacement power, LEYECO II shall procure Replacement Power equal to the PSA rate or the actual price of the Replacement Power, whichever is lower. In case the Replacement Power price is higher than the PSA rate, any difference shall be for the account of KSPC.

In the event that KSPC was only able to provide the partial electricity supply requirement of LEYECO II, contrary to what is provided for under a duly executed PSA, KSPC shall be responsible for the provision of replacement power for the deficient capacity at the generation rate equivalent to the provisional or final approved generation rate, or the actual rate of the replacement power, whichever is lower.

If applicable, KSPC has entered into a Connection Agreement and Transmission Service Agreement with the NGCP to connect the Facility to the Grid. At all times, from and after the Effective Date, all interconnection, transmission, and other agreements necessary for Seller to perform its obligations hereunder (including the Connection Agreement and Transmission Service Agreement) shall be in full force and effect.

- h. **Compensation, Payment and Billing.** Commencing on the Delivery Date and continuing throughout the Term, LEYECO II shall pay to KSPC an amount (the "Monthly Payment") calculated in accordance with the formula set out in Schedule 5 exclusive of value-added taxes, and any other applicable taxes, fees and charges. All taxes, fees, imposts, and other similar charges shall also be included in the monthly billing. The Monthly Payment shall be subject to adjustment in accordance herein set forth and shall be subject to further adjustments if there are new taxes, fees, imposts, and similar charges or any increase in existing taxes, fees, imposts, and charges.

On or before the 5th day of the month following the close of every Billing Period, the KSPC shall deliver via electronic mail to LEYECO II a Billing Invoice showing the Electricity Fee due for such Billing Period.

A billing invoice shall be regarded as delivered to and received by LEYECO II upon sending an electronic copy thereof to LEYECO II via its registered email address at the date and time indicated in which transmission was made. However, KSPC shall also provide the original copy of the bill to LEYECO II on a monthly basis within the billing month.

Without the necessity of demand, LEYECO II shall pay KSPC the Electricity Fee as stated in such a billing invoice, not later than the twenty-fifth (25th) of the calendar month following the close of a Billing Period ("Due Date"). Moreover, KSPC shall issue the corresponding Official Receipt upon the receipt of the payment.

The failure of KSPC to deliver to LEYECO II a billing invoice within the period stated in the preceding section shall not preclude KSPC from thereafter issuing a billing invoice to LEYECO II for that Billing Period. KSPC, at any time from the issuance of a Billing invoice (and notwithstanding that LEYECO II may have disputed, protested, or questioned a billing invoice), amend, revise, or modify any and all of its billing invoice(s), in whole or in part, for any and all amounts that may otherwise be due and payable to KSPC, subject to Section 3.

KSPC shall include all necessary attachments (e.g. invoices), documentation, computations for any adjustments from prior billing invoices, and any other relevant information in every billing invoice that will enable LEYECO II to determine that the billing computation is compliant with the PSA.

LEYECO II shall pay KSPC for the Electricity Fee in connection to the Agreement shall be made through either the manager's check or bank transfer. The currency of payment shall be in Philippine Peso.

All Present and future national, local, or other lawful taxes, duties, levies, or other impositions applicable to KSPC, the Facility, and KSPC's other assets shall be paid by KSPC in a timely manner. All present and future national, local, or other lawful taxes, duties, levies, or other impositions applicable to LEYECO II arising from or in connection with its rights and obligations under this Agreement shall be paid by LEYECO II in a timely manner.

- i. **Interest for Late Payment.** If any amount payable by LEYECO II is not paid on the Due Date shall earn interest at the recent 91-day T-Bill Rate computed based on the

auction date by Bangko Sentral ng Pilipinas (BSP), plus three percent (3%) per annum based on a 360-day year. Upon receipt of full payment from LEYECO II, KSPC shall issue to LEYECO II an Official Receipt covering the Electricity Fee. This shall also be applicable to the delay in the delivery of the Billing invoice.

- j. **Electricity Fees.** Refers to the total amount of charges due from LEYECO II in respect of the Contract Capacity and all Energy supplied by KSPC during a Billing Period, computed in accordance with Schedule 5³.

MONTHLY PAYMENT, INDEXATION AND ADJUSTMENT

The Buyer shall pay the Seller for the Energy at the following Fees and as adjusted on a monthly basis pursuant to the following formula:

$$\text{Electricity Fees} = \text{TGC} \times \text{AEN}$$

$$\text{TGC} = \text{CRF}_{\text{CUF}} + \text{FOM}_{\text{Adj}} + \text{VOM}_{\text{Adj}} + \text{FF}_{\text{Adj}} + \text{TF}$$

Where:

Electricity Fees = Total Generation Charge in Php for the Billing Period

TGC = Total Generation Charge in Php/kWh for the Billing Period.

AEN = Actual Energy Nominated for the Billing Period in kWh. In cases, other than force majeure, when the CUF or Actual Nominated Energy is lower than 65% CUF, the Minimum Contract Energy and 65% CUF, shall apply.

$\text{CRF}_{100\%}$ = Capital Recovery Fee of Php0.9395/kWh at 100% CUF.

CRF_{CUF} = Capital Recovery Fee at the given actual CUF for the billing period in reference to Schedule 3.

$$\text{FOM}_{\text{Adj}} = \text{FOML}_{\text{Adj}} + \text{FOMF}_{\text{Adj}}$$

FOM_{Adj} = The sum of the Adjusted Local FOM Fee and the Adjusted Foreign FOM Fee for the billing period

$\text{FOML}_{100\%}$ = Local Fixed Operation and Maintenance Fee of Php0.4134/kWh at 100% CUF.

FOML_{Adj} = Adjusted Local FOM Fee for the billing period

$$\text{FOML}_{\text{Adj}} = \text{FOML}_{\text{CUF}} * (\text{PHCPI}_{\text{current}} / \text{PHCPI}_{\text{base}})$$

³ Power Supply Agreement, pages 26-27.

FOML_{CUF} = Local FOM at a given actual CUF for the billing period in reference to Schedule 3.

FOMF_{100%} = Foreign Fixed Operation and Maintenance (Foreign FOM) Fee of US\$0.0118/kWh (or Php0.6715/kWh) at 100% CUF.

FOMF_{Adj} = Adjusted Foreign FOM Fee for the billing period

FOMF_{Adj} = **FOMF_{CUF}***(**PHCPI_{current}**/**PHCPI_{base}**)*(**FRXc**)

FOMF_{CUF} = Foreign FOM at a given actual CUF for the billing period in reference to Schedule 3.

VOM_{Adj} = AdjustedVOM Fee for the billing period

VOM_{Adj} = **VOM***(**PHCPI_{current}**/**PHCPI_{base}**)

VOM = Variable Operation and Maintenance Fee at Php0.0276/kWh

Where:

PHCPI_{current} = Philippine Consumer Price Index (CPI) for all items, both as last published on or before the last day of such billing period by the Philippine Statistics Authority.

PHCPI_{base} = Philippine Consumer Price Index (CPI) of 124.1 (December 2023, 2018=100, subject to re-basing) as published by the Philippine Statistics Authority.

FRXc = Current Philippines Peso vs. US Dollar exchange rate as published by the Bangko Sentral ng Pilipinas on or before the last day of the Billing Month

FF_{Adj} = Current Fuel Fee for the Billing Period calculated as follows:

FF_{Adj} = **FFb***(**FOc/FOb**)*(**kWh_b/kWh_c**)

Where:

FF_b = Based Fuel set at Php3.0600/kWh

FO_c = Current cost of fuel for the billing period in Php

FO_b = Base cost of fuel at Php385,519,061.69 (1Q 2024 Ave)

kWh_c = Current Net Energy Output for the billing period in kWh

kWh_b = Base Net Energy Output at 126,101,007.29kWh (1Q 2024 Ave)

TF- all existing and future taxes, fees and imposts (including increases, or adjustments thereon and increases, or

adjustments on existing taxes, fees and imposts), such as but not limited to real property taxes, excise taxes, and other future charges imposed on the Power Plant for the generation of electricity, in Php/kWh.

8. 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 **P0.6851/kWh** (a decrease from a blended rate of **P6.5689/kWh** to a blended rate of **P5.8838/kWh**) for 2025. A copy of the Rate Impact Simulation 2024 is hereto attached as **Annex “GG”**.
9. 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 “R”**.
10. 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 “S”**.
11. 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 “T”**.
12. 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 2006⁴, Rule 20 B Section 2 of the ERC Rules of Practice and Procedures:

| ANNEX | DOCUMENTS/ INFORMATION |
|-------|---|
| AA | KSPC’s 2022-2023 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows |
| B | LEYECO II Articles of Incorporation |
| B-1 | LEYECO II By-Laws |
| BB | Shareholder’s Agreement |
| C | LEYECO II Certificate of Franchise |
| C-1 | LEYECO II Certificate of Registration |

⁴ Resolution No. 38, Series of 2006 – A Resolution Promulgating the Energy Regulatory Commission’s Rules of Practice and Procedure.

| | |
|------------|---|
| CC | Certification of Net Heat Rate |
| D | LEYECO II Verified Certification showing list of Board of Directors |
| DD | Fuel Contract |
| E | LEYECO II DSM Certification |
| EE | Sworn Statement on Fuel Procurement |
| F | LEYECO II Write Up NPC Certification |
| FF | KSPC's WESM Registration Approval Form |
| G | LEYECO II Supply and Demand Tables |
| G-1 | LEYECO II Supply and Demand Scenario |
| G-2 | LEYECO II PSPP |
| G-3 | LEYECO II DDP |
| GG | LEYECO II Rate Impact Analysis |
| H | LEYECO II Single Line Diagram |
| HH | LEYECO II Transmission Supply Agreement |
| I | LEYECO II Performance Assessment |
| II | MEOT Simulation LEYECO II |
| J | LEYECO II Estimated Potential Reduction |
| JJ | MEOT Simulation |
| K | LEYECO II WESM Membership |
| KK | LEYECO Board Resolution No. 172-09-2024 |
| L | Executive Summary (LEYECO II-KSPC PSA) |
| LL | Affidavit of Merit |
| M | KSPC NWRB Water Permit |
| N | KSPC Articles of Incorporation and By-laws |
| N-1 | KSPC By- Laws |

| | |
|-----|---|
| N-2 | Certificate of Incorporation (KSPC) |
| O | KSPC Verified Certification showing list of Board of Directors |
| P | KSPC General Information Sheet |
| Q | <p>WRITE UP FOR NON-APPLICABILITY OF DOCUMENTS (KSPC):</p> <ul style="list-style-type: none"> • Renewable Energy Service Contract • Certificate of Registration or Certification of Commerciality by an RE Developer and after due confirmation by the DOE • Requirements under emergency procurement • BIR Receipts • Seller's Receipts • Purchase Orders with Annotation of Acceptance or Transfers • Deeds of Sale and other Other Forms of Conveyance of Ownership • Potential Cost (absolute amounts and PhP/kWh) of Ancillary Services as and when the IPP or the DU is connected to the main grid. • Basis/rationale/derivation of Other Charges such as replacement, start-up, pre-commercial, and ancillary costs. • Distribution Wheeling Service Agreement |
| Q-1 | BOI Letter re: cancellation (KSPC) |
| Q-2 | KSPC Bank Certificate |
| R | KSPC Environmental Compliance Certificate |
| S | ERC Certificate of Compliance (KSPC) |
| T | KSPC Amended DOE Certificate of Endorsement |
| U | KSPC Transmission Service Agreement with NGCP |
| V | Narrative on Sources of Funds, Generation Rates, Cash Flow |
| W | Derivation of Rates (Excel File) |
| X | KSPC's Financial Model |
| Y | Sample Power Bill |
| Z | Relevant technical and economic characteristics of generation capacity |

**Subject to the Motion For Confidential Treatment of Information*

ALLEGATIONS IN SUPPORT OF THE MOTION FOR
CONFIDENTIAL TREATMENT OF INFORMATION

13. 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.
14. KSPC prays that the information contained in the documents attached as **Annexes “AA”, “CC”, “DD”, “EE”, “V”, “W”, “X”, and “Z”** 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 |
|-------|---|
| AA | KSPC’s 2022-2023 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows |
| CC | Certifications of Net Heat Rate |
| DD | Fuel Contract |
| EE | Sworn Statement on Fuel Procurement |
| V | Narrative on Sources of Funds, Generation Rates, Cash Flow |
| W | Derivation of Rates (Excel File) |
| X | KSPC’s Financial Model |
| Z | Relevant technical and economic characteristics of generation capacity |

15. Furthermore, KSPC prays that the detailed discussion on rate and its pertinent information thereto are specifically stated in Annex V - Narrative on Sources of Funds, Generation Rates, Cash Flow, which are subject to the Motion for Confidential Treatment of Information.
16. 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

17. LEYECO II and KSPC replead, by reference, all the foregoing allegations.
18. 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.
19. 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.
20. An Affidavit of Merit in support of the prayer for provisional authority is hereto attached as ***Annex "LL"***.

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 authorize KSPC to charge and collect from LEYECO II the electricity fees based on the final rates approved by this Honorable Commission, and to authorize 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.

Finding the said *Joint Application* to be sufficient in form and with the required fees having been paid, the Commission hereby sets the same for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020⁵ and Resolution No. 01, Series of 2021⁶ (ERC Revised Rules of Practice and Procedure):

| Date | Platform | Activity |
|--|-----------------------------|--|
| 25 April 2025 (Friday) at two o'clock in the afternoon (2:00 P.M.) | Microsoft Teams Application | Determination of compliance with the jurisdictional requirements and expository presentation |
| 02 May 2025 (Friday) at two o'clock in the afternoon (2:00 P.M.) | | Pre-Trial Conference and presentation of evidence |

Accordingly, LEYECO II and KSPC are hereby directed to host the virtual hearings at **LEYECO II's principal office located at Real Street, Sagkahan District, Tacloban City**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, Applicants shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

RELATIVE THERETO, LEYECO II and KSPC are hereby directed to:

- 1) Cause the publication of the attached *Notice of Virtual Hearing* in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within

⁵ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁶ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

two (2) successive weeks, the dates of publication not being less than seven (7) days apart, and the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial virtual hearing;

- 2) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing* the Offices of the Provincial Governor, the Mayors, and the Local Government Unit (LGU) legislative bodies within LEYECO II's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform the consumers within LEYECO II's franchise area, by any other means available and appropriate, of the filing of the *Joint Application*, the reasons therefor, and of the scheduled virtual hearings thereon;
- 4) Furnish with copies of this *Order* and the attached *Notice of Virtual Hearing*, the Office of the Solicitor General (OSG), the Commission on Audit (COA), and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives and attend the scheduled hearings; and
- 5) Furnish with copies of the *Joint Application* and its attachments, except those subject of a motion for confidential treatment of information, all those making requests therefor, if any, subject to reimbursement of reasonable photocopying costs.

Within **five (5) calendar days** prior to the date of the initial virtual hearing, Applicants must submit to the Commission via electronic mail (e-mail) at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, the scanned copies of their written compliance with the aforementioned jurisdictional requirements attaching therewith, methodically arranged and duly marked, the following:

- 1) The evidence of publication of the attached *Notice of Virtual Hearing* consisting of affidavits of the Editors or Business Managers of the newspapers where the said *Notice of Virtual Hearing* was published, and the complete issues of the said newspapers;
- 2) The evidence of actual posting of this *Order* and the attached *Notice of Virtual Hearing* consisting of

certifications issued to that effect, signed by the aforementioned Governor, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;

- 3) The evidence of other means employed by LEYECO II and KSPC to inform the consumers within LEYECO II's franchise area of the filing of the *Joint Application*, the reasons therefor, and of the scheduled hearings thereon;
- 4) The evidence of receipt of copies of this *Order* and the attached *Notice of Virtual Hearing* by the OSG, the COA, and the Committees on Energy of both Houses of Congress;
- 5) The evidence of receipt of copies of the *Joint Application* and its attachments, except those subject of a motion for confidential treatment of information, by all those making requests therefor, if any; and
- 6) Such other proof of compliance with the requirements of the Commission.

Moreover, LEYECO II and KSPC are hereby required to post on their bulletin boards, the scanned copies of the foregoing jurisdictional requirements, together with the newspaper publications and certifications issued by concerned Offices of the Governor, Mayors, and Local Legislative Bodies, and to submit proof of posting thereof.

LEYECO II and KSPC, and all interested parties, are also required to submit via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference, their respective Pre-Trial Briefs containing, among others:

- 1) A summary of admitted facts and proposed stipulation of facts;
- 2) The issues to be tried or resolved;
- 3) The documents or exhibits to be presented, stating the purposes and proposed markings therefor, which should also be attached to the Pre-Trial Brief; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-Trial Brief.

LEYECO II and KSPC must ensure that all the documents or exhibits proposed to be presented have already been duly submitted to the Commission **at least five (5) calendar days** before the date of the scheduled virtual hearing and Pre-Trial Conference, pursuant to the preceding paragraph.

Failure of LEYECO II and KSPC to comply with the above requirements within the prescribed period shall be a ground for cancellation of the scheduled hearings.

LEYECO II and KSPC must also be prepared to make an expository presentation of the instant *Joint Application*, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of consumers and other concerned parties, the nature of the *Joint Application*. Relevant information and pertinent details substantiating the reasons and justifications for the *Joint Application* must be cited in support thereof.

LEYECO II and KSPC are hereby directed to file a copy of their Expository Presentation via e-mail at doCKET@erc.ph, and copy furnish the Legal Service through legal@erc.ph, **at least five (5) calendar days** prior to the scheduled virtual hearing. LEYECO II and KSPC shall also be required, upon the request of any stakeholder, to provide an advance copy of the Expository Presentation, **at least five (5) calendar days** prior to the scheduled virtual hearing.

LEYECO II and KSPC are further directed to submit, either through personal service, registered mail or ordinary mail/private courier, one (1) set of the original or certified true hard copies of their jurisdictional compliance, Expository Presentation, Pre-Trial Brief, and Judicial Affidavits of witnesses, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

(This space is intentionally left blank.)

Finally, LEYECO II and KSPC, including their authorized representatives and witnesses, are hereby directed to provide the Commission, through legal.virtualhearings@erc.ph, their respective e-mail addresses upon receipt of this *Order*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

SO ORDERED.

Pasig City, 20 March 2025.

FOR AND BY AUTHORITY
OF THE COMMISSION:


KRISHA MARIE T. BUELA
Director III, Legal Service


LS: CER/ARG

ERC CASE NO. 2025-024 RC
ORDER/ 20 March 2025
PAGE 24 OF 24

Copy Furnished:

1. Leyte II Electric Cooperative, Inc. (LEYECO II)
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8. House Committee on Energy
Batasan Hills, Quezon City
9. Office of the Governor
Province of Leyte
10. Office of the LGU legislative body
Province of Leyte
11. Office of the Mayor
Tacloban, Leyte
12. Office of the Mayor
Tacloban, Leyte
13. Office of the Mayor
Palo, Leyte
14. Office of the LGU legislative body
Palo, Leyte
15. Office of the Mayor
Babatngon, Leyte
16. Office of the LGU legislative body
Babatngon, Leyte
17. Regulatory Operations Service (ROS)
Energy Regulatory Commission
Exquadra Tower, Ortigas Center, Pasig City

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,
INC. (LEYECO II) AND
KEPCO SPC POWER
CORPORATION (KSPC),
WITH PRAYER FOR
CONFIDENTIAL
TREATMENT OF
INFORMATION AND
MOTION FOR PROVISIONAL
AUTHORITY**



ERC CASE NO. 2025-024 RC

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

Applicants.

X-----X

Promulgated:
March 20, 2025

NOTICE OF VIRTUAL HEARING

Notice is hereby given that on 28 January 2025, the Leyte II Electric Cooperative, Inc. (LEYECO II) and KEPCO SPC Power Corporation (KSPC) filed their *Joint Application* dated 19 December 2024, seeking the Commission's approval of their Power Supply Agreement (PSA), with prayer for confidential treatment of information and motion for issuance of provisional authority.

The pertinent allegations in the said *Joint Application* are hereunder quoted, as follows:

XXX

THE APPLICANTS

1. Applicant **LEYTE II ELECTRIC COOPERATIVE, INC. ("LEYECO II")** is a non-stock, non-profit 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 Street, Sagkahan District, Tacloban City, herein represented by its Board President, Feliciano E. Elizon, Jr., and General Manager, Engr. Fernan Paul R. Tan evidenced by a Board Resolution specifically issued for such purpose. A copy of which is attached hereto as **Annex "KK"**.
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 7th 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 28, 2024, attached hereto as **Annex "LL."**
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 September 13, 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 the municipalities of Palo and Babatngon, all in the Province of 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, Average Daily Load Curve, PSPP and DDP are attached as **Annex "G and series"**.

**BRIEF DISCUSSION OF THE COMPETITIVE SELECTION
PROCESS**

8. On December 16, 2023, the Board of Directors of LEYECO II passed Board Resolution No. 012-01-2024, formally constituting the Bids and Awards Committee (BAC) to oversee the procurement process for 20MW Baseload Requirement for the period August 12, 2024 to August 25, 2034, namely:

| | | |
|----------------|---|-----------------------------|
| Chairman | : | Atty. Tyron Jan G. Albao |
| Vice-Chairman: | | Engr. Rommel P. Moron |
| Member | : | Engr. Gil T. Caidic |
| Member | : | Atty. Peter Joven Y. De Ono |
| Member | : | Yves Henry O. Barril, CPA |

Copies of the Board Resolution No. 012-01-2024, Board Resolution No. 225-12-2023 and the selection process are hereto attached as ***Annex “CSP-A”, “CSP-A-1” and “CSP-A-2”, respectively;***

9. Thereafter, the BAC conducted a series of meetings and workshops to prepare the documents needed for the CSP. This included the preparation and submission to the National Electrification Administration (NEA) and the Department of Energy (DOE) of each of the member EC's Distribution Development Plan (DDP) and Power Supply Procurement Plan (PSPP) as well as the preparation and formulation of Bidding Documents for the conduct of CSP such as the Terms of Reference, Invitation to Bid, Instructions to Bidders, the draft Power Supply Agreement, Bid Forms, Bid Securities and Warranties, and Certifications and Undertakings, among others. These documents outlined the requirements, criteria and procedures for the procurement process. Copies of the documents are hereto attached as ***Annex “CSP-B” and series.***
10. A list of CSP Observers was also prepared from different offices from the ERC, NEA, DOE, Consumer and Community Representatives, as well as Interested Civil Society Organizations and Consumers and Regional Development Council – Eastern Visayas (Region 8). A copy of the list of CSP Observers is hereto attached as ***Annex “CSP-C” and series.***
11. On January 13, 2024, the LEYECO II BOD then passed Board Resolution No. 011-01, Series of 2024, endorsing the bidding documents to NEA for their review and approval. Thereafter, the bidding documents were submitted to NEA in Microsoft Excel and PDF format together with the Board Resolution No. 011-01, Series of 2024, and List of Observers on January 17, 2024. A copy of the Board Resolution No. 011-01-2024 is hereto attached as ***Annex “CSP-D” and series;***
12. On February 19, 2024, the BAC received a copy of the Notice to Commence dated February 16, 2024, where the submitted bidding documents were found to be in accordance with the

minimum requirements of the NEA CSP Guidelines and that LEYECO II may proceed with the conduct of the CSP. Copies of the Notice to Commence and the proof of receipt thereof are hereto attached as ***Annex “CSP-E” and Annex “CSP-E-1”, respectively;***

13. On February 21, 2024, the BAC sent a letter, together with the Bidding Documents and other required attachments, to the DOE through NEA requesting for the issuance of a Certificate of Conformity. On February 27, 2024, the BAC received the Certificate of Conformity and proceeded with the publication of the Invitation to Bid and the TOR. A screenshot of the email request is hereto attached as ***Annex “CSP-F”***.
14. On March 01, 2024, DOE and ERC were notified of the Certificate of Conformity with Invitation to Bid and Terms of Reference. A copy of the Certificate of Conformity is hereto attached as ***Annex “CSP-G”***.
15. Thereafter, on March 7, 2024, the BAC proceeded to publish the ITB through Philippine Daily Inquirer. This is to ensure widespread dissemination of the procurement activity. A copy of the first publication is hereto attached as ***Annex “CSP-H” and series***.
16. The said ITB was likewise posted on the CSP E-based Portal of the DOE and the NEA website, as well as LEYECO II's website. Copies of the proof the said postings are hereto attached as ***Annex “CSP-I” and series, “CSP-J” and series and “CSP-K”, respectively;***
17. In the meantime, the BAC started the issuance of the Bidding Documents on March 07, 2024, which were purchased by several potential bidders including KEPCO SPC Power Corporation;
18. Thereafter, a second publication of the ITB was made through the Philippine Daily Inquirer on March 14, 2024. On even date, the same was likewise posted on the CSP E-based Portal of the DOE and the NEA website, as well as LEYECO II's website and facebook page. A copy of the second publication is hereto attached as ***Annex “CSP-L” and series;***
19. On March 15, 2024, the BAC then sent Invitations to CSP Observers to various stakeholders, including the NEA, DOE, and ERC, to attend the Pre-Bid Conference on March 22, 2024. Copies of the proof thereof are hereto attached as ***Annex “CSP-M” and “CSP-M-1”, respectively;***
20. On March 22, 2024, the Pre-Bid Conference was conducted to provide an opportunity for the bidders to seek clarifications on the issued bidding documents and to inform them of any revisions made in the said documents. The Pre-Bid Conference were attended by several bidders including KSPC, FDCMPC, GNPk, and CEDC. Copies of the Attendance Sheets and

Minutes of the proceeding are hereto attached as ***Annex “CSP-N” and series***, respectively;

21. The BAC issued several supplemental bid bulletins for the revisions in the bidding documents based on the comments and clarifications of the bidders during the Pre-Bid Conference. The said Supplemental Bid Bulletins were also posted on the DOE CSP E-based Portal. Copies of the Supplemental Bid Bulletins and proofs of posting thereof are hereto attached as ***Annex “CSP-O” and series***;
22. On April 25, 2024, the BAC issued Bid Bulletin No. 07 deferring the submission and opening of bids, which was originally set on April 29, 2024, due to an emergency meeting called by the National Electrification Administration (NEA), to discuss several issues that may adversely affect the proper conduct of the CSP. A copy of the Bid Bulletin No. 07 is hereto attached as ***Annex “CSP-P”***;
23. On May 15, 2024, the BAC issued Bid Bulletin No. 08 which lifted the deferment and set the new schedule of the submission and opening of bids on June 8, 2024. A copy of the Bid Bulletin No. 08 is hereto attached as ***Annex “CSP-Q”***;
24. On 08 June 2024, the BAC issued the Final Instructions to Bidders and Bid Bulletin No. 09 and other documents as requested by bidders in preparation for the submission and opening of bids. Invitations to CSP Observers were also sent to attend the submission and opening of bids on June 3 and 4, 2024. Copies of the Final Instructions to Bidders and proofs of invitations are hereto attached as ***Annex “CSP-R”, “CSP-S” and “CSP-T”***, respectively.
25. On June 8, 2024, bidders submitted their respective bids. The bids were opened in the presence of BAC, participating bidders and CSP Observers. KEPCO SPC Power Corporation emerged to have the lowest calculated bid. Copies of the conduct of the proceeding and Abstract of Bids are hereto attached as ***Annex “CSP-U” and series, “CSP-V” and “CSP-W”***, respectively;
26. On June 9, 2024, the BAC conducted a post-qualification evaluation of the lowest calculated bid of KEPCO SPC wherein a thorough evaluation to verify the eligibility, capability, and compliance of the bidder with the procurement requirements. A copy of the Post Qualification Report is hereto attached as ***Annex “CSP-X”***;
27. On June 11, 2024, the BAC issued BAC Resolution No. 2024-10, Series of 2024, which recommended to the BOD to award the contract to KEPCO SPC. A copy of the BAC Resolution No. 2024-10 is hereto attached as ***Annex “CSP-Y”***;
28. On June 17, 2024, the BOD through Board Resolution No. 098-06, Series of 2024, approved the BAC’s recommendation to

award the power supply contract to KEPCO SPC. A copy of the board resolution is hereto attached as **Annex “CSP-Z”**;

29. After its receipt of NEA’s Notice to Issue Award dated 13 August 2024 last 14 August 2024, on 19 August 2024, the JBAC issued a Notice of Award to KEPCO SPC Power Corporation for the 20 MW baseload demand LEYECO II, which was acknowledged by KSPC on August 19, 2024. Copies of the NEA’s Notice to Issue Award, proof of receipt and Notice of Award issued to KEPCO SPC are hereto attached as **Annex “CSP-AA” and series**;
30. On August 29, 2024, LEYECO II timely submitted to NEA the finalized draft PSA together with the Board Resolution and the justifications to the changes made in the PSA for the issuance of the Notice to Execute Agreement and on 13 September 2024, LEYECO II received NEA’s Notice to Execute Agreement dated 12 September 2024. Copies of the finalized draft PSA and Notice to Execute Agreement are hereto attached as **Annex “CSP-BB” and “CSP-CC”**, respectively;
31. Thus, on September 13, 2024, LEYECO II and KSPC executed the Power Supply Agreement (PSA), commencing on the latter of the two dates: (i) August 10, 2024 or (ii) immediately after the issuance by the ERC of a Provisional Authority, or Interim Relief, or Final Authority, until August 23, 2033 with a contract capacity of 20 MW.
32. On September 19, 2024, KSPC posted their Performance Bond in the amount of P220,838,400.00. Thereafter, LEYECO II issued a Notice to Proceed dated September 23, 2024, to KSPC on September 24, 2024, which was acknowledged by KSPC on September 25, 2024. Copies of the Performance Bond and Notice to Proceed are hereto attached as **Annex “CSP-DD” and series and Annex “CSP-EE” and series**;
33. Hence, this instant *Joint Application* for the approval of the PSA between LEYECO II and KSPC.

SALIENT FEATURES OF THE PSA

31. The PSA between LEYEO II and KSPC contains the following salient features:
 - a. **Contract Term.** This Agreement shall take effect immediately from the Effective Date, and from such date, shall remain in force and effect until August 25, 2034, unless sooner terminated in accordance with this Agreement and upon approval by the ERC.
 - b. **Delivery Date.** KSPC shall commence delivery of Contract Capacity to LEYECO II on the Delivery date. The Delivery Date shall be a date beginning on the receipt of the issuance of the ERC Provisional Authority or Interim Relief, or Final Authority, whichever comes first, provided

that LEYECO II has issued an initial day-ahead nomination, duly received by KSPC.

- c. **Contract Capacity.** This shall mean a capacity of 20 MW, which is reserved by KSPC for LEYECO II for the duration of the contract period. For the avoidance of doubt, this refers to the estimated capacity of electricity to be made available for Delivery to each LEYECO II Facility.
- d. **Proposed Rates and Rate Impact.** The detailed discussion on rate and its pertinent information thereto are specifically stated in Annex V - Narrative on Sources of Funds, Generation Rates, Cash Flow, which are subject to the Motion for Confidential Treatment of Information.

CONTRACT CAPACITY AND/OR CONTRACT ENERGY¹

| Billing Month | Hours | Contract Capacity (kW) | Minimum Contract Energy (kWh) | Maximum Contract Energy (kWh) |
|---------------|-------|------------------------|-------------------------------|-------------------------------|
| January | 744 | 20,000 | 9,672,000 | 14,880,000 |
| February | 744 | 20,000 | 9,672,000 | 14,880,000 |
| March* | 672 | 20,000 | 8,736,000 | 13,440,000 |
| | 696* | 20,000 | 9,048,000 | 13,920,000 |
| April | 744 | 20,000 | 9,672,000 | 14,880,000 |
| May | 720 | 20,000 | 9,360,000 | 14,440,000 |
| June | 744 | 20,000 | 9,672,000 | 14,880,000 |
| July | 720 | 20,000 | 9,360,000 | 14,440,000 |
| August | 744 | 20,000 | 9,672,000 | 14,880,000 |
| September | 744 | 20,000 | 9,672,000 | 14,880,000 |
| October | 720 | 20,000 | 9,360,000 | 14,440,000 |
| November | 744 | 20,000 | 9,672,000 | 14,880,000 |
| December | 720 | 20,000 | 9,360,000 | 14,440,000 |

**Number of hours for the March billing period during a leap year.*

The Buyer shall be allowed to nominate at least 50% of the Contract Capacity per interval divided by twelve (12) on all 5-minute Trading Intervals, but at the end of the relevant billing period, the Buyer shall be obligated to pay for the product at 65% monthly minimum CUF or actual energy nominated, whichever is higher, and the Total Generation Charge. The Buyer will be billed based on the Minimum Monthly CUF if, at the end of the billing period and after reconciliation, the nomination falls below the Minimum Monthly CUF for reasons other than FM. The maximum contract energy shall be proportionately adjusted to account for the undelivered energy (kWh) due to Force Majeure.

¹ Power Supply Agreement, page 21.

- e. **Capacity Utilization Factor.** The ratio of the amount of energy taken by LEYECO II from KSPC during any Billing Period to the actual capacity made available by KSPC.

LEYECO II shall purchase the Contracted Capacity and pay for the Contracted Capacity from sixty-five (65%) to one hundred percent (100%) Capacity Utilization Factor (CUF), computed per Billing Period, in accordance with Schedule 3² below.

(This space is intentionally left blank.)

² Power Supply Agreement, page 22.

Capacity Utilization Factor (CUF) Price

| CAPACITY FEE | CRF(Php/kWh) | Fixed O&M | |
|--------------|--------------|---------------------|------------------------|
| C.U.F. | | Local FOM (Php/kWh) | Foreign FOM (US\$/kWh) |
| | | | |
| 100% | 0.9395 | 0.4134 | 0.0118 |
| 99% | 0.9490 | 0.4176 | 0.0119 |
| 98% | 0.9587 | 0.4218 | 0.0120 |
| 97% | 0.9686 | 0.4262 | 0.0122 |
| 96% | 0.9786 | 0.4306 | 0.0123 |
| 95% | 0.9889 | 0.4352 | 0.0124 |
| 94% | 0.9995 | 0.4398 | 0.0126 |
| 93% | 1.0102 | 0.4445 | 0.0127 |
| 92% | 1.0212 | 0.4493 | 0.0128 |
| 91% | 1.0324 | 0.4543 | 0.0130 |
| 90% | 1.0439 | 0.4593 | 0.0131 |
| 89% | 1.0556 | 0.4645 | 0.0133 |
| 88% | 1.0676 | 0.4698 | 0.0134 |
| 87% | 1.0799 | 0.4752 | 0.0136 |
| 86% | 1.0924 | 0.4807 | 0.0137 |
| 85% | 1.1053 | 0.4864 | 0.0139 |
| 84% | 1.1185 | 0.4921 | 0.0140 |
| 83% | 1.1319 | 0.4981 | 0.0142 |
| 82% | 1.1457 | 0.5041 | 0.0144 |
| 81% | 1.1599 | 0.5104 | 0.0146 |
| 80% | 1.1744 | 0.5168 | 0.0148 |
| 79% | 1.1892 | 0.5233 | 0.0149 |
| 78% | 1.2045 | 0.5300 | 0.0151 |
| 77% | 1.2201 | 0.5369 | 0.0153 |
| 76% | 1.2362 | 0.5439 | 0.0155 |
| 75% | 1.2527 | 0.5512 | 0.0157 |
| 74% | 1.2696 | 0.5586 | 0.0159 |
| 73% | 1.2870 | 0.5663 | 0.0162 |
| 72% | 1.3049 | 0.5742 | 0.0164 |
| 71% | 1.3232 | 0.5823 | 0.0166 |
| 70% | 1.3421 | 0.5906 | 0.0169 |
| 69% | 1.3616 | 0.5991 | 0.0171 |
| 68% | 1.3816 | 0.6079 | 0.0174 |
| 67% | 1.4022 | 0.6170 | 0.0176 |
| 66% | 1.4235 | 0.6264 | 0.0179 |
| 65% | 1.4454 | 0.6360 | 0.0182 |

f. **Outages.** The KSPC’s total Scheduled and Unscheduled outages should not exceed the ERC-prescribed allowances under the existing guidelines. While the ERC permits certain technologies to have more than 30 days of outage, the total maximum allowed outage shall not exceed 30

days or 720 hours. There shall be no carry-over of any unutilized outage allowances from a calendar year on the succeeding years of the contract term.

In the event the KSPC was only able to provide the partial contract capacity requirement for a specific period, such shortfall shall be considered as an outage resulting in a deduction from the maximum allowed outage through pro-rata computation. Sourcing the contract capacity requirement from another plant within the KSPC's indicated portfolio of power plants shall not be deemed as an outage, provided it meets the required contract capacity.

KSPC shall use its reasonable endeavors to coordinate its maintenance program for the Interconnection Facilities with the approved Scheduled Outages so as to minimize any disruption to the operation of the Facility.

By December of each year or upon the availability of the GOMP, whichever comes earlier, the KSPC shall Submit to LEYECO II its desired schedule of Scheduled Outage periods for the following Year. The outage periods shall be subject to the requirements under DOE guidelines and ERC rules and regulations.

LEYECO II shall notify KSPC in writing whether the requested Scheduled Outage periods are acceptable. If LEYECO II cannot accept any of the requested Scheduled Outage periods, LEYECO II shall advise KSPC of a period when LEYECO II determines such unacceptable Scheduled Outage period can be rescheduled. Such rescheduled period shall be as close as reasonably practicable to the requested period, shall comply with the Minimum Functional Specifications indicated in Schedule 4, and shall be of equal duration as the requested period. KSPC shall conduct Scheduled Outages only during periods agreed to in writing by LEYECO II as aforesaid. The outage periods shall be subject to the approval of requirements under DOE guidelines and ERC rules and regulations.

- g. **Replacement Power.** The procurement of any Replacement Power within the Allowed Outage shall be the responsibility of LEYECO II. During such an outage, LEYECO II shall source Replacement Power from other suppliers or from the WESM, at its own expense. In case LEYECO II fails to secure its own Replacement Power, KSPC, in coordination with and conformity with LEYECO II, shall provide the Replacement Power. The cost of the Replacement Power shall be paid by LEYECO II.

The procurement of any Replacement Power beyond the Allowed Outage shall be the responsibility of KSPC. In the event of failure by KSPC to provide the Contract Capacity

and/or Contract Energy, or KSPC was not able to provide supply from the specific plant provided in this Agreement, including delay in the Commencement of Delivery (COD), LEYECO II shall be allowed to source the Replacement Power at the expense of KSPC. Provided further, that the rates to be charged for the procurement of Replacement Power shall be a) the actual price of the Replacement Power; or b) the approved charge for the PSA, whichever is lower.

In case of delay in the COD and KSPC fails to timely nominate its replacement power, LEYECO II shall procure Replacement Power equal to the PSA rate or the actual price of the Replacement Power, whichever is lower. In case the Replacement Power price is higher than the PSA rate, any difference shall be for the account of KSPC.

In the event that KSPC was only able to provide the partial electricity supply requirement of LEYECO II, contrary to what is provided for under a duly executed PSA, KSPC shall be responsible for the provision of replacement power for the deficient capacity at the generation rate equivalent to the provisional or final approved generation rate, or the actual rate of the replacement power, whichever is lower.

If applicable, KSPC has entered into a Connection Agreement and Transmission Service Agreement with the NGCP to connect the Facility to the Grid. At all times, from and after the Effective Date, all interconnection, transmission, and other agreements necessary for Seller to perform its obligations hereunder (including the Connection Agreement and Transmission Service Agreement) shall be in full force and effect.

- h. **Compensation, Payment and Billing.** Commencing on the Delivery Date and continuing throughout the Term, LEYECO II shall pay to KSPC an amount (the "Monthly Payment") calculated in accordance with the formula set out in Schedule 5 exclusive of value-added taxes, and any other applicable taxes, fees and charges. All taxes, fees, imposts, and other similar charges shall also be included in the monthly billing. The Monthly Payment shall be subject to adjustment in accordance herein set forth and shall be subject to further adjustments if there are new taxes, fees, imposts, and similar charges or any increase in existing taxes, fees, imposts, and charges.

On or before the 5th day of the month following the close of every Billing Period, the KSPC shall deliver via electronic mail to LEYECO II a Billing Invoice showing the Electricity Fee due for such Billing Period.

A billing invoice shall be regarded as delivered to and received by LEYECO II upon sending an electronic copy

thereof to LEYECO II via its registered email address at the date and time indicated in which transmission was made. However, KSPC shall also provide the original copy of the bill to LEYECO II on a monthly basis within the billing month.

Without the necessity of demand, LEYECO II shall pay KSPC the Electricity Fee as stated in such a billing invoice, not later than the twenty-fifth (25th) of the calendar month following the close of a Billing Period ("Due Date"). Moreover, KSPC shall issue the corresponding Official Receipt upon the receipt of the payment.

The failure of KSPC to deliver to LEYECO II a billing invoice within the period stated in the preceding section shall not preclude KSPC from thereafter issuing a billing invoice to LEYECO II for that Billing Period. KSPC, at any time from the issuance of a Billing invoice (and notwithstanding that LEYECO II may have disputed, protested, or questioned a billing invoice), amend, revise, or modify any and all of its billing invoice(s), in whole or in part, for any and all amounts that may otherwise be due and payable to KSPC, subject to Section 3.

KSPC shall include all necessary attachments (e.g. invoices), documentation, computations for any adjustments from prior billing invoices, and any other relevant information in every billing invoice that will enable LEYECO II to determine that the billing computation is compliant with the PSA.

LEYECO II shall pay KSPC for the Electricity Fee in connection to the Agreement shall be made through either the manager's check or bank transfer. The currency of payment shall be in Philippine Peso.

All Present and future national, local, or other lawful taxes, duties, levies, or other impositions applicable to KSPC, the Facility, and KSPC's other assets shall be paid by KSPC in a timely manner. All present and future national, local, or other lawful taxes, duties, levies, or other impositions applicable to LEYECO II arising from or in connection with its rights and obligations under this Agreement shall be paid by LEYECO II in a timely manner.

- i. **Interest for Late Payment.** If any amount payable by LEYECO II is not paid on the Due Date shall earn interest at the recent 91-day T-Bill Rate computed based on the auction date by Bangko Sentral ng Pilipinas (BSP), plus three percent (3%) per annum based on a 360-day year. Upon receipt of full payment from LEYECO II, KSPC shall issue to LEYECO II an Official Receipt covering the Electricity Fee. This shall also be applicable to the delay in the delivery of the Billing invoice.

- j. **Electricity Fees.** Refers to the total amount of charges due from LEYECO II in respect of the Contract Capacity and all Energy supplied by KSPC during a Billing Period, computed in accordance with Schedule 5³.

MONTHLY PAYMENT, INDEXATION AND ADJUSTMENT

The Buyer shall pay the Seller for the Energy at the following Fees and as adjusted on a monthly basis pursuant to the following formula:

$$\text{Electricity Fees} = \text{TGC} \times \text{AEN}$$

$$\text{TGC} = \text{CRF}_{\text{CUF}} + \text{FOM}_{\text{Adj}} + \text{VOM}_{\text{Adj}} + \text{FF}_{\text{Adj}} + \text{TF}$$

Where:

Electricity Fees = Total Generation Charge in Php for the Billing Period

TGC = Total Generation Charge in Php/kWh for the Billing Period.

AEN = Actual Energy Nominated for the Billing Period in kWh. In cases, other than force majeure, when the CUF or Actual Nominated Energy is lower than 65% CUF, the Minimum Contract Energy and 65% CUF, shall apply.

CRF_{100%} = Capital Recovery Fee of Php0.9395/kWh at 100% CUF.

CRF_{CUF} = Capital Recovery Fee at the given actual CUF for the billing period in reference to Schedule 3.

$$\text{FOM}_{\text{Adj}} = \text{FOML}_{\text{Adj}} + \text{FOMF}_{\text{Adj}}$$

FOM_{Adj} = The sum of the Adjusted Local FOM Fee and the Adjusted Foreign FOM Fee for the billing period

FOML_{100%} = Local Fixed Operation and Maintenance Fee of Php0.4134/kWh at 100% CUF.

FOML_{Adj} = Adjusted Local FOM Fee for the billing period

$$\text{FOML}_{\text{Adj}} = \text{FOML}_{\text{CUF}} * (\text{PHCPI}_{\text{current}} / \text{PHCPI}_{\text{base}})$$

FOML_{CUF} = Local FOM at a given actual CUF for the billing period in reference to Schedule 3.

³ Power Supply Agreement, pages 26-27.

FOMF_{100%} = Foreign Fixed Operation and Maintenance (Foreign FOM) Fee of US\$0.0118/kWh (or Php0.6715/kWh) at 100% CUF.

FOMF_{Adj} = Adjusted Foreign FOM Fee for the billing period

$$\mathbf{FOMF_{Adj} = FOMF_{CUF} * (PHCPI_{current} / PHCPI_{base}) * (FRXc)}$$

FOMF_{CUF} = Foreign FOM at a given actual CUF for the billing period in reference to Schedule 3.

VOM_{Adj} = Adjusted VOM Fee for the billing period

$$\mathbf{VOM_{Adj} = VOM * (PHCPI_{current} / PHCPI_{base})}$$

VOM = Variable Operation and Maintenance Fee at Php0.0276/kWh

Where:

PHCPI_{current} = Philippine Consumer Price Index (CPI) for all items, both as last published on or before the last day of such billing period by the Philippine Statistics Authority.

PHCPI_{base} = Philippine Consumer Price Index (CPI) of 124.1 (December 2023, 2018=100, subject to re-basing) as published by the Philippine Statistics Authority.

FRXc = Current Philippines Peso vs. US Dollar exchange rate as published by the Bangko Sentral ng Pilipinas on or before the last day of the Billing Month

FF_{Adj} = Current Fuel Fee for the Billing Period calculated as follows:

$$\mathbf{FF_{Adj} = FFb * (FOc / FOb) * (kWh_b / kWh_c)}$$

Where:

FF_b = Based Fuel set at Php3.0600/kWh

FO_c = Current cost of fuel for the billing period in Php

FO_b = Base cost of fuel at Php385,519,061.69 (1Q 2024 Ave)

kWh_c = Current Net Energy Output for the billing period in kWh

kWh_b = Base Net Energy Output at 126,101,007.29kWh (1Q 2024 Ave)

TF- all existing and future taxes, fees and imposts (including increases, or adjustments thereon and increases, or adjustments on existing taxes, fees and imposts), such as but not limited to real property taxes, excise taxes, and other future

charges imposed on the Power Plant for the generation of electricity, in Php/kWh.

- 8. 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 **P0.6851/kWh** (a decrease from a blended rate of **P6.5689/kWh** to a blended rate of **P5.8838/kWh**) for 2025. A copy of the Rate Impact Simulation 2024 is hereto attached as **Annex “GG”**.
- 9. 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 “R”**.
- 10. 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 “S”**.
- 11. 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 “T”**.
- 12. 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 2006⁴, Rule 20 B Section 2 of the ERC Rules of Practice and Procedures:

| ANNEX | DOCUMENTS/ INFORMATION |
|-------|---|
| AA | KSPC’s 2022-2023 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows |
| B | LEYECO II Articles of Incorporation |
| B-1 | LEYECO II By-Laws |
| BB | Shareholder’s Agreement |
| C | LEYECO II Certificate of Franchise |
| C-1 | LEYECO II Certificate of Registration |

⁴ Resolution No. 38, Series of 2006 – A Resolution Promulgating the Energy Regulatory Commission’s Rules of Practice and Procedure.

| | |
|------------|---|
| CC | Certification of Net Heat Rate |
| D | LEYECO II Verified Certification showing list of Board of Directors |
| DD | Fuel Contract |
| E | LEYECO II DSM Certification |
| EE | Sworn Statement on Fuel Procurement |
| F | LEYECO II Write Up NPC Certification |
| FF | KSPC's WESM Registration Approval Form |
| G | LEYECO II Supply and Demand Tables |
| G-1 | LEYECO II Supply and Demand Scenario |
| G-2 | LEYECO II PSPP |
| G-3 | LEYECO II DDP |
| GG | LEYECO II Rate Impact Analysis |
| H | LEYECO II Single Line Diagram |
| HH | LEYECO II Transmission Supply Agreement |
| I | LEYECO II Performance Assessment |
| II | MEOT Simulation LEYECO II |
| J | LEYECO II Estimated Potential Reduction |
| JJ | MEOT Simulation |
| K | LEYECO II WESM Membership |
| KK | LEYECO Board Resolution No. 172-09-2024 |
| L | Executive Summary (LEYECO II-KSPC PSA) |
| LL | Affidavit of Merit |
| M | KSPC NWRB Water Permit |
| N | KSPC Articles of Incorporation and By-laws |
| N-1 | KSPC By- Laws |

| | |
|-----|---|
| N-2 | Certificate of Incorporation (KSPC) |
| O | KSPC Verified Certification showing list of Board of Directors |
| P | KSPC General Information Sheet |
| Q | <p>WRITE UP FOR NON-APPLICABILITY OF DOCUMENTS (KSPC):</p> <ul style="list-style-type: none"> Renewable Energy Service Contract Certificate of Registration or Certification of Commerciality by an RE Developer and after due confirmation by the DOE Requirements under emergency procurement BIR Receipts Seller's Receipts Purchase Orders with Annotation of Acceptance or Transfers Deeds of Sale and other Other Forms of Conveyance of Ownership Potential Cost (absolute amounts and Php/kWh) of Ancillary Services as and when the IPP or the DU is connected to the main grid. Basis/rationale/derivation of Other Charges such as replacement, start-up, pre-commercial, and ancillary costs. Distribution Wheeling Service Agreement |
| Q-1 | BOI Letter re: cancellation (KSPC) |
| Q-2 | KSPC Bank Certificate |
| R | KSPC Environmental Compliance Certificate |
| S | ERC Certificate of Compliance (KSPC) |
| T | KSPC Amended DOE Certificate of Endorsement |
| U | KSPC Transmission Service Agreement with NGCP |
| V | Narrative on Sources of Funds, Generation Rates, Cash Flow |
| W | Derivation of Rates (Excel File) |
| X | KSPC's Financial Model |
| Y | Sample Power Bill |
| Z | Relevant technical and economic characteristics of generation capacity |

*Subject to the Motion For Confidential Treatment of Information

ALLEGATIONS IN SUPPORT OF THE MOTION FOR
CONFIDENTIAL TREATMENT OF INFORMATION

13. 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.
14. KSPC prays that the information contained in the documents attached as **Annexes “AA”, “CC”, “DD”, “EE”, “V”, “W”, “X”, and “Z”** 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 |
|-------|---|
| AA | KSPC’s 2022-2023 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows |
| CC | Certifications of Net Heat Rate |
| DD | Fuel Contract |
| EE | Sworn Statement on Fuel Procurement |
| V | Narrative on Sources of Funds, Generation Rates, Cash Flow |
| W | Derivation of Rates (Excel File) |
| X | KSPC’s Financial Model |
| Z | Relevant technical and economic characteristics of generation capacity |

15. Furthermore, KSPC prays that the detailed discussion on rate and its pertinent information thereto are specifically stated in Annex V - Narrative on Sources of Funds, Generation Rates, Cash Flow, which are subject to the Motion for Confidential Treatment of Information.
16. 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

17. LEYECO II and KSPC replead, by reference, all the foregoing allegations.
18. 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.
19. 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.
20. An Affidavit of Merit in support of the prayer for provisional authority is hereto attached as ***Annex "LL"***.

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 authorize KSPC to charge and collect from LEYECO II the electricity fees based on the final rates approved by this Honorable Commission, and to authorize 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.

The Commission sets the instant *Joint Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020⁵ and Resolution No. 01, Series of 2021⁶ (ERC Revised Rules of Practice and Procedure):

| Date | Platform | Activity |
|--|-----------------------------|--|
| 25 April 2025 (Friday) at two o'clock in the afternoon (2:00 P.M.) | Microsoft Teams Application | Determination of compliance with the jurisdictional requirements and expository presentation |
| 02 May 2025 (Friday) at two o'clock in the afternoon (2:00 P.M.) | | Pre-Trial Conference and presentation of evidence |

Accordingly, LEYECO II and KSPC are hereby directed to host the virtual hearings at **LEYECO II's principal office located at Real Street, Sagkahan District, Tacloban City**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, Applicants shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at least **one (1) calendar day** prior to the scheduled initial virtual hearing, via e-mail at doCKET@erc.ph, copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

⁵ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

⁶ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Moreover, any person who has an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, a verified Petition to Intervene at least **five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at least **five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Joint Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled virtual hearings by providing the Commission, through legal.virtualhearings@erc.ph, their respective e-mail addresses and indicating therein the case number of the instant *Joint Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA**, and Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 20th day of March 2025 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ATTY. KRISHA MARIE T. BUELA
Director III, Legal Service


LS: CER/ARG