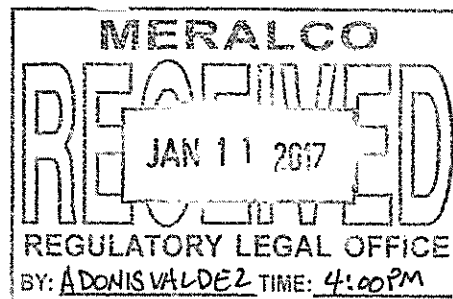


Republic of the Philippines
ENERGY REGULATORY COMMISSION
San Miguel Avenue, Pasig City

IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE POWER
SUPPLY AGREEMENT (PSA)
BETWEEN MANILA
ELECTRIC COMPANY
(MERALCO) AND CENTRAL
LUZON PREMIERE POWER
CORPORATION (CLPPC)



ERC CASE NO. 2016 – 112 RC

MANILA ELECTRIC
COMPANY (MERALCO) AND
CENTRAL LUZON
PREMIERE POWER
CORPORATION (CLPPC),
Applicants.

X-----X

D O C K E T E D
Date: JAN 10 2017
By: [Signature]

ORDER

On 29 April 2016, Applicants Manila Electric Company (MERALCO) and Central Luzon Premiere Power Corporation (CLPPC) filed a *Joint Application* dated 28 April 2016 for approval of their Power Supply Agreement (PSA).

In the said Application, MERALCO and CLPPC alleged the following:

1. Applicant MERALCO is a private corporation existing under the laws of the Republic of the Philippines, with principal office located at Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
2. MERALCO has a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite and Rizal and certain cities, municipalities and

barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209, and is authorized to charge all its customers for their electric consumption at the rates approved by this Honorable Commission.

3. Applicant CLPPC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its office address at 19th Floor, San Miguel Properties Centre, No. 7 St. Francis Street, Mandaluyong City, Metro Manila. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
4. CLPPC shall construct, own and operate a 4 x 150 MW (gross) Circulating Fluidized Bed Coal-Fired power generating facility in Pagbilao, Quezon, on the island of Luzon in the Philippines (the “**Plant**”), which is scheduled to become operational no later than Calendar Year 2021.
5. Based on MERALCO’s Distribution Development Plan, “from 2015 to 2024, energy sales is forecasted to grow by a compounded average growth rate of 3.7%.”
6. In order to ensure continuous and reliable electricity for MERALCO’s customers with the expected continuous increase in demand and load growth, and mitigate exposure to the Wholesale Electricity Spot Market (“**WESM**”), there is a need for MERALCO to source additional capacity through bilateral power supply contracts.
7. Under Section 45(b) of Republic Act No. 9136 (“**EPIRA**”), it is provided that “*Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC xxx*”.
8. Accordingly, following extensive negotiations, on 26 April 2016, MERALCO executed a Power Supply Agreement (“**PSA**”) with CLPPC, for the purchase of up to 528 MW contract capacity and associated energy from the Plant.
9. The PSA, a copy of which is attached as **ANNEX “A”** and made an integral part hereof, contains the following salient features:

“Article 2 Purpose; Term

xxx

2.2 Term of Agreement

2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.

2.2.2 The term of this Agreement (the “**Term**”) shall commence on the Operations Effective Date (Unit 1) and shall expire on the date falling twenty-one (21) years thereafter xxx

xxx

Article 3 Effective Date, Commencement Date, Operations Effective Date, and Commercial Operations Date

3.1 Effective Date

The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the “**Effective Date**”).

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3.3 Commencement Date

The “**Commencement Date**” shall occur upon the satisfaction of the conditions below:

- (a) The conditions set out in Section 3.2 have been fulfilled;
- (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
- (c) On or before the Longstop Date, (i) the ERC shall have approved this Agreement in the ERC Final Approval, including the pricing structure as set out herein (or as

otherwise acceptable to Power Supplier),
and (ii) the Acceptance Date has
occurred.

Within seven (7) Days after the satisfaction of the
conditions referred to in this Section 3.3, Meralco and
Power Supplier shall issue a joint certification
confirming that the Commencement Date has
occurred.

3.4 Operations Effective Date

Following the Operations Effective Date¹, the
obligations of Power Supplier and Meralco under
this Agreement with respect to sale and purchase
of Contract Capacity and Associated Energy, and
Replacement Energy, shall become effective.

3.5 Commercial Operations Date

The Plant shall achieve Commercial Operations
Date for each Unit of the Plant upon the delivery
of the Power Supplier of the documents
enumerated below, in form and substance,
reasonably satisfactory to Meralco:²

xxx

3.7 Early Occurrence of the Commercial Operations Date

3.7.1 In the event that Power Supplier achieves
Commercial Operations Date prior to the
occurrence of the Operations Effective Date,
Power Supplier shall promptly deliver to
Meralco written notice thereof on or before the
Commercial Operations Date. Upon receipt of
such written notice, Meralco shall, by written
notice to Power Supplier, choose between the
following options:

¹ Article 1 of the PSA defines Operations Effective Date for Unit 1 of the Plant to be on December 26, 2022, or such earlier date that may be agreed to by Meralco in accordance with Section 3.7 of the PSA.

² With respect to the Commercial Operations Date of every Unit, CLPPC shall submit the following documents:

- (a) Capacity Test Certificate;
- (b) a Net Plant Heat Rate Test Certificate;
- (c) all permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the supply of electricity by CLPPC to Meralco;
- (d) a Commercial Operations Date Certificate; and
- (e) Power Supplier certification that the insurances have been obtained.

- a) Consider that Operations Effective Date shall occur on the Commercial Operations Date or such other later date as provided under Section 3.7.2; or
- b) Require Power Supplier to deliver, for purchase by Meralco on a non-firm basis, such portion of the Contract Capacity and Associated Energy needed by Meralco from Commercial Operations Date to Operations Effective Date, which shall be paid at the Price. For the avoidance of doubt, Meralco shall have priority over the Contract Capacity and Associated Energy. If needed by Meralco, it shall communicate its binding day-ahead nominations of the Contract Capacity and Associated Energy (or a portion thereof) to Power Supplier.

xxx

Article 5 Sale and Purchase of Contract Capacity and Associated Energy

5.1 Supply of Power

Subject to the terms and conditions of this Agreement:

5.1.1 From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:

- (a) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Contract Capacity; and
- (b) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-ahead nominations.

The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (*Technical Limits*).

5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent:

- (a) sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco; or
- (b) provide Meralco with capacity and/or electrical energy from any source other than the Plant.

5.1.3 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as Direct WESM Member Trading Participant.

5.1.4 Power Supplier shall source its supply for Meralco from the Plant except during: (i) the period when the Operations Effective Date occurs prior to Commercial Operations Date; (ii) Outages; (iii) any curtailment due to Dispatch Instructions; (iv) ramping limitations; and (v) system frequency fluctuations.

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Article 8 Outages

8.1 Outage Allowances and Replacement Energy

8.1.1 For Outages within the Full Load Equivalent Aggregate Outage Allowance³ for the Contract Year, Power Supplier shall supply Meralco with Replacement Energy that shall be declared as BCQ and shall be paid by Meralco at the Price in accordance with Appendix D.

³ As defined under Article I of the PSA, "**Full Load Equivalent Aggregate Outage Allowance** means: (i) the first thirty five (35) Full Load Equivalent Outage Days due to a Forced Outage or a Scheduled Outage for every Contract Year; or (ii) the first sixty five (65) Full Load Equivalent Outage Days during Major Maintenance, which shall occur not more frequent than every four (4) years."

8.1.2 During Outages within the Full Load Equivalent Cumulative Outage Allowance⁴ for the Contract Year, Meralco shall procure its own Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities. xxx

8.1.3 During Outages beyond the Full Load Equivalent Cumulative Outage Allowance up to an accumulated maximum of one hundred eighty (180) Full Load Equivalent Outage Days for the Contract Year, Power Supplier shall supply Meralco with Replacement Energy that shall be declared as BCQ; provided that Meralco shall pay such Replacement Energy at (i) PHP 5.00 per kWh or WESM price, whichever is lower, on an hourly basis, for the first five (5) Contract Years; and (ii) PHP 4.50 per kWh or WESM price, whichever is lower, on an hourly basis, for the succeeding Contract Years. For the avoidance of doubt, the minimum WESM price mentioned in (i) and (ii) above shall be Zero Pesos (PHP 0.00) per kWh on an hourly basis.

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Article 9 Adjustments in Contract Capacity and Associated Energy

9.1 Implementation of Retail Competition and Open Access

The Parties acknowledge that Retail Competition and Open Access is being implemented in phases in accordance with the guidelines being issued by the ERC, and upon implementation of each phase, the amount of Contract Capacity may be adjusted in accordance with the terms hereof.

9.2 Assignment or Transfer of Contract Capacity Due to Retail Competition and Open Access

⁴ As defined under Article I of the PSA, "Full Load Equivalent Cumulative Outage Allowance" means the thirty (30) Full Load Equivalent Outage Days due to an Outage beyond the Full Load Equivalent Aggregate Outage Allowance for every Contract Year, for which Meralco shall procure its own Replacement Energy pursuant to Section 8.1.2.

In connection with the implementation by the ERC of Retail Competition and Open Access, Meralco shall, also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, "**Transfer**") its rights and obligations to purchase a portion of Contract Capacity and Associated Energy that is no longer required by Meralco as a result of Retail Competition and Open Access (i) to any of its Affiliates or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier; or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.

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9.3 **Reduction in Contract Capacity and Associated Energy**

9.3.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the "**Reduction in Contract Capacity and Associated Energy**") equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA, the Renewable Energy Law and other Laws and Legal Requirements.

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Article 10 Billing and Payment

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10.2 **Payments**

10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable, provided that Meralco shall not be required to make payment on any Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such

error, invalidity or absence of proper form or substance.

xxx

Article 11 Taxes, Fees and Costs

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11.4 Charges Due to Change in Circumstances

- (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts ("**New Charges**"), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts ("**Increased Charges**") become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
- (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Supplier's administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances ("**Notice of**

Change in Circumstances") together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.6(a).

(c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Government Instrumentality:

(a) Meralco is prevented from making a pass through to its customers of any charges under this Agreement (as approved by the ERC in the ERC Final Approval as accepted by Power Supplier); or

(b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,

the Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days

from the commencement of negotiations, the provisions of Section 17.6.6(b) will apply.

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13.2 ERC Approval

13.2.1 Subject to the non-occurrence of the Longstop Date, upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Days from the date of receipt from Meralco of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.

13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that, any order on a motion for reconsideration shall be treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.

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Article 16 Force Majeure

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16.4 Effect of Extended Force Majeure

If any Event of Force Majeure prevents Power Supplier from making Available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or

amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.

If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.5.

xxx

17.3 Remedies in case of Event of Default

17.3.1 During the Curing Period with respect to a Power Supplier Event of Default, Meralco shall, for each time Power Supplier fails to make Available the Contract Capacity or to deliver the Associated Energy, be entitled to source energy from the WESM. In such case, and provided that Power Supplier is able to cure the Power Supplier Event of Default prior to the exercise by Meralco of its rights under Section 17.3.3, Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Price.

17.3.2 During the Curing Period with respect to a Meralco Event of Default, Power Supplier shall, from the time of Meralco's failure to accept or pay for the Contract Capacity and Associated Energy, be entitled to sell the Contract Capacity and Associated Energy to the WESM. In such case, and provided that Meralco is able to cure the Meralco Event of Default prior to the exercise by Power Supplier of its rights under Section 17.3.4, Meralco shall be liable to pay Power Supplier the difference between the amount Power Supplier actually received from such sale to the WESM and the Price.

xxx"

10. The Payment Structure, as provided in Appendix D of the PSA shall be as follows:

“2. PAYMENT

The Monthly Power Bill (**MPB**) will be the payment to be made to the Power Supplier in each Billing Period for the Contract Capacity and Associated Energy. Each Unit of the Plant will have its own MPB during its Term. It shall consist of Capacity Payments and Energy Payments, and Other Payments. The Capacity Payments consist of Monthly Capital Recovery Payment (**MCRP**) and Monthly Fixed O&M Payment (**MFOMP**). The Energy Payments consist of Monthly Fuel Payment (**MFP**) and Monthly Variable O&M Payment (**MVOMP**). The Other Payments consist of Replacement Energy Payment (**REP**), Start-up Charge Payment (**SCP**), Supplemental Payment (**SP**) and the applicable Value Tax (**VAT**). Thus, the Monthly Power Bill of each Unit of the Plant will be:

$$\mathbf{MPB = MCRP + MFOMP + MFP + MVOMP + REP + SCP + SP + VAT}$$

11. Given the foregoing, a sample calculation of the base contract price under the PSA, given a certain set of assumptions, results in an annual effective rate of PhP3.5195 per kWh (at plant gate), as shown in the sample calculation below:

(continuation in the next page)

CLPPC PSA - Rate Impact (YEAR 2023)						
BILLING COMPONENT	UNIT	BASE RATE ^(a)	CPI Adj Factor ^(a)	BILLING DETERMINANT ^(a)		AMOUNT (PHP)
A. Capacity Payment (MCRP)						
Peso Portion	(Php/kW-mo)	1,022.8652		528,000	(kW)	6,304,789,497.60
B. Fixed O&M Payment (MFOMP)			1.000000	528,000	(kW)	1,508,939,308.80
Peso Portion	(Php/kW-mo)	238.1533				
C. Fuel Payment (MFP)						
US Dollar Portion	(USD/kWh) ^(b)	0.0246		3,700,224,000	(kWh)	4,190,005,919.45
D. Variable O&M Payment (MVOMP)						
Peso Portion	(Php/kWh)	0.2702		3,700,224,000	(kWh)	1,014,711,766.02
E. Other Payments ^(c)						
Replacement Energy Payment (REP)	(Php)					-
Start-up Charge Payment (SCP)	(Php)					-
Supplemental Payment (SP)	(Php)					4,625,280.00
VAT Payment (VAT)	(Php)					-
TOTAL PAYMENT	(Php)					13,023,071,771.87
Effective Rate at Plant Gate	(Php/kWh)					3.5195
WESM Line Rental Rate ^(d)	(Php/kWh)					0.3000
Delivered Rate	(Php/kWh)					3.8195
Effective Cost at WESM Price ^(e)	(Php/kWh)					8.4869
Increase / (Decrease) over WESM Price	(Php/kWh)					(4.6674)
Meralco Captive Energy Demand ^(f)	(kWh)					36,920,416,567
Increase / (Decrease) in Generation Cost	(Php)					(17,270,286,391.33)
Increase / (Decrease) in Generation Cost	(Php/kWh)					(0.4678)
NOTE:						
^(a) Base Rates as set forth in Schedule 1 of Appendix D of the PSA						
^(b) Fuel Payment calculated based on Guaranteed Net Plant Heat Rate at 87.16% plant load factor, Newcastle index = USD 50.38/MT, Freight Price = USD 5.90/MT, and Forex rate at PHP 46.07/USD (current prices as of Mar 2016)						
^(c) Other Payments (pass through costs) based on estimated taxes						
^(d) Assumed estimated CLPPC line rental rate						
^(e) Cost if equivalent volume of CLPPC was sourced from the WESM based on forecast average Jan - Dec 2023 hourly prices						
^(f) Meralco Captive Energy Demand based on 2023 forecast						
^(g) Assumed no CPI escalation						
^(h) Energy Payments based on 80.00% plant capacity factor						

12. As seen in the rate impact above, given the above assumptions, the simulated delivered price under the PSA would result in the reduction of MERALCO's generation charge by about PhP0.4678 per kWh.
13. Notably, the Plant offers greater reliability compared to existing plants that are past their expected plant life, at a price competitively at par with the rates of the existing plants despite its newness.
14. It bears emphasis that there is an urgent need for the final approval of the PSA considering the requirement of lenders for the Honorable Commission's final approval of the PSA prior to financial closure. Only thereafter can CLPPC commence construction of the Plant to meet the target Commercial Operations Date and allow for delivery of MERALCO's needed capacity and associated energy by then.
15. Verily, this Honorable Commission's approval of the PSA will send strong signals to lenders of the viability of

financing power generation projects in the Philippines, and thus, set the pace for infusion of similar investments by the private sector.

16. In support of this Joint Application, the Judicial Affidavit of **MR. CIPRINILO C. MENESES**, Head of MERALCO's Energy Sourcing Office, is attached as **ANNEX "B"** and made an integral part hereof.
17. Likewise, in support of this Application, the Applicants provide this Honorable Commission with the following documents, which underwent the pre-filing conference of this Honorable Commission, to wit:

DESCRIPTION OF DOCUMENT	ANNEX
Articles of Incorporation of CLPPC	C
Securities and Exchange Commission ("SEC") Certificate of Registration of the said Articles of Incorporation	D
List of Shareholders (Latest GIS of CLPPC – SEC Form)	E
Write-up on Board of Investment ("BOI") Certificate of Registration	F
Write-up on Environmental Compliance Certificate ("ECC")	G
Power Supply Agreement	H
Write up on details of the PSA: a) Executive Summary; b) Sources of Funds/Financial Plans; c) Purchased Power Rate; d) Cash Flow	I
Write-up on the Procurement Process of Fuel	J
Write-up on CLPPC's Related Agreements	K
Write-up on Certificate of Compliance ("COC") of CLPPC	L
Acknowledgement receipt by the City of Pasig & Affidavit of Publication	M
Publication in a newspaper of general circulation within the franchise area of the Application	N
Rate Impact on the overall rates of MERALCO upon approval of the PSA	O
Write up on Transition Supply Capacity	P
All relevant technical and economic characteristics of the generation capacity; installed capacity, mode of operation, dependable capacity	Q
Write up on the cost analysis related to the generation in	R

support of the proposed pricing provisions of the PSA	
Write up on the details on the procurement process used by MERALCO	S
Write up on the details regarding the transmission projects or grid connection projects	T
Write-up on consistencies and inconsistencies between the proposed generation capacity and the DOE Philippine Development Plant (PDP)	U
Distribution Development Plant (DDP) of MERALCO	V
Demand Side Management (DSM) Program	W
Write up on other documentation that may be needed by the ERC in the course of the evaluation, such as, but not limited to the following: a) Latest Audited Financial Statements of CLPPC; b) Bank Certification of Long-term Loans; c) Operating Expenses; d) Sworn Statement detailing how the fuel was competitively procured etc; e) Certification on the net heat rate f) Simulation of the no. of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU. g) Potential Cost of Ancillary Services	X

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that, after hearing on the merits, a Decision be rendered **APPROVING** the PSA between Applicants MERALCO and CLPPC.

Other reliefs just and equitable under the circumstances are likewise prayed for.

On 04 May 2016, the Applicants filed a Joint Compliance dated 03 May 2016, attaching therewith the following:

- a. Affidavit of Publication executed by Mr. Edwin L. Monforte, Billing and Collection Manager of the Business World newspaper dated 03 May 2016; and
- b. Complete issue of the Business World newspaper dated 03 May 2016.

On 12 August 2016, the Applicants jointly filed an Urgent Motion to set the case for hearing dated 11 August 2016 praying that an order be issued setting the application for hearing on 29 September 2016.

Upon perusal of the records, however, the *Joint Application* did not have the Secretary's Certificate of Applicant CLPPC attached thereto that would warrant the scheduling of the hearing as prayed for.

On 28 October 2016, Applicant MERALCO filed a Manifestation on even date submitting CLPPC's Secretary's Certificate executed by Atty. Avelino G. Cedo III, Assistant Corporate Secretary of CLPPC on 25 April 2016.

Finding the said Application with the subsequently filed compliances to be sufficient in substance with the required fees having been paid, the same is hereby set for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on **16 February 2017 (Thursday) at two o'clock in the afternoon (2:00 p.m.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

Accordingly, MERALCO and CLPPC are hereby directed to:

- 1) Cause the publication of the attached Notice of Public Hearing in two (2) newspapers of nationwide circulation in the Philippines at their own expense, twice (2x) within 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 hearing;
- 2) Furnish with copies of this Order and the attached Notice of Public Hearing the Offices of the Provincial Governors, the City and Municipal Mayors, and the Local Government Unit (LGU) legislative bodies within MERALCO's franchise area for the appropriate posting thereof on their respective bulletin boards;
- 3) Inform of the filing of the *Joint Application*, its reasons therefor, and of the scheduled hearing thereon the consumers within MERALCO's franchise area, by any other means available and appropriate;

- 4) Furnish with copies of the *Joint Application*, and this Order and the attached Notice of Public 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 at the scheduled hearing; and
- 5) Furnish with copies of the *Joint Application* and its attachments all those making requests therefor, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing Applicants must submit to the Commission 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 Public Hearing consisting of affidavits of the Editors or Business Managers of the newspapers where the said Notice of Public 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 Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governors, Mayors, and LGU legislative bodies or their duly authorized representatives, bearing the seals of their offices;
- 3) The evidence of the means employed by Applicants to inform of the filing of the *Joint Application*, its reasons therefore, and of the scheduled hearing thereon, the consumers within the affected franchise area;
- 4) The evidence of receipt of copies of the *Joint Application*, and this Order and the attached Notice of Public Hearing by the Office of the Solicitor General (OSG), the Commission on Audit (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 by all those making requests therefor, if any; and

- 6) Such other proofs of compliance with the requirements of the Commission.

Applicants and all interested parties are also required to submit, at least five (5) days before the date of initial 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 therefore; and
- 4) The number and names of the witnesses, with their written testimonies in a Judicial Affidavit form attached to the Pre-trial Brief.

Failure of Applicants to submit the required Pre-Trial Brief and Judicial Affidavits of their witnesses within the prescribed period shall be a ground for cancellation of the scheduled hearing, and the resetting of which shall be six (6) months from the said date of cancellation.

MERALCO and CLPPC 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 the consumers and other concerned parties, what the *Joint Application* is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

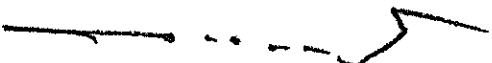
Pasig City, 05 January 2017.

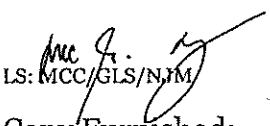
ERC
Office of the Chairman



L-2016-002-OC-06845

FOR AND BY AUTHORITY
OF THE COMMISSION:


JOSE VICENTE B. SALAZAR
Chairman and CEO


LS: MCC/GLS/NJM

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8. House Committee on Energy
Batasan Hills, Quezon City, Metro Manila
9. Philippine Chamber of Commerce and Industry (PCCI)
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McKinley Town Center, Fort Bonifacio, Taguig City
10. The City Mayor
City of Manila
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City of Manila
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- 238. Office of the Governor
Province of Rizal
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- 251. LGU Legislative Body
Province of Bulacan

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

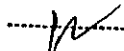
**IN THE MATTER OF THE
APPLICATION FOR THE
APPROVAL OF THE POWER
SUPPLY AGREEMENT (PSA)
BETWEEN MANILA
ELECTRIC COMPANY
(MERALCO) AND CENTRAL
LUZON PREMIERE POWER
CORPORATION (CLPPC)**

ERC CASE NO. 2016 - 112 RC

**MANILA ELECTRIC
COMPANY (MERALCO) AND
CENTRAL LUZON PREMIERE
POWER CORPORATION
(CLPPC),**

Applicants.

X-----X

D O C K E T E D
Date: JAN 10 2017
By: 

NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 29 April 2016, Applicants Manila Electric Company (MERALCO) and Central Luzon Premiere Power Corporation (CLPPC), filed a *Joint Application* for approval of their Power Supply Agreement (PSA) dated 28 April 2016.

In the said Application, MERALCO and CLPPC alleged the following:

1. Applicant MERALCO is a private corporation existing under the laws of the Republic of the Philippines, with principal office located at Ortigas Avenue, Barangay Ugong, Pasig City. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
2. MERALCO has a legislative franchise to operate and maintain a distribution system in the cities/municipalities of Metro Manila, Bulacan, Cavite

and Rizal and certain cities, municipalities and barangays in Batangas, Laguna, Quezon and Pampanga, pursuant to Republic Act No. 9209, and is authorized to charge all its customers for their electric consumption at the rates approved by this Honorable Commission.

3. Applicant CLPPC is a corporation duly organized and existing under the laws of the Republic of the Philippines, with its office address at 19th Floor, San Miguel Properties Centre, No. 7 St. Francis Street, Mandaluyong City, Metro Manila. It may be served with notices and other processes of this Honorable Commission through its counsel at the address indicated herein.
4. CLPPC shall construct, own and operate a 4 x 150 MW (gross) Circulating Fluidized Bed Coal-Fired power generating facility in Pagbilao, Quezon, on the island of Luzon in the Philippines (the “**Plant**”), which is scheduled to become operational no later than Calendar Year 2021.
5. Based on MERALCO’s Distribution Development Plan, “from 2015 to 2024, energy sales is forecasted to grow by a compounded average growth rate of 3.7%.”
6. In order to ensure continuous and reliable electricity for MERALCO’s customers with the expected continuous increase in demand and load growth, and mitigate exposure to the Wholesale Electricity Spot Market (“**WESM**”), there is a need for MERALCO to source additional capacity through bilateral power supply contracts.
7. Under Section 45(b) of Republic Act No. 9136 (“**EPIRA**”), it is provided that “*Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC xxx*”.
8. Accordingly, following extensive negotiations, on 26 April 2016, MERALCO executed a Power Supply Agreement (“**PSA**”) with CLPPC, for the purchase of up to 528 MW contract capacity and associated energy from the Plant.
9. The PSA, a copy of which is attached as **ANNEX “A”** and made an integral part hereof, contains the following salient features:

“Article 2 Purpose; Term

xxx

2.2 Term of Agreement

2.2.1 Subject to Article 3, this Agreement shall become effective on the Effective Date.

2.2.2 The term of this Agreement (the “**Term**”) shall commence on the Operations Effective Date (Unit 1) and shall expire on the date falling twenty-one (21) years thereafter xxx

xxx

Article 3 Effective Date, Commencement Date, Operations Effective Date, and Commercial Operations Date

3.1 Effective Date

The Effective Date shall be the date the conditions precedent in Section 3.2 have been satisfied or waived by the relevant Party (the “**Effective Date**”).

xxx

3.3 Commencement Date

The “**Commencement Date**” shall occur upon the satisfaction of the conditions below:

- (a) The conditions set out in Section 3.2 have been fulfilled;
- (b) Each Party has delivered to the other Party a certification dated no earlier than two (2) Days prior to the proposed Commencement Date to the effect that its representations and warranties contained herein shall be true and correct in all material respects on and as of the Commencement Date; and
- (c) On or before the Longstop Date, (i) the ERC shall have approved this

Agreement in the ERC Final Approval, including the pricing structure as set out herein (or as otherwise acceptable to Power Supplier), and (ii) the Acceptance Date has occurred.

Within seven (7) Days after the satisfaction of the conditions referred to in this Section 3.3, Meralco and Power Supplier shall issue a joint certification confirming that the Commencement Date has occurred.

3.4 Operations Effective Date

Following the Operations Effective Date¹, the obligations of Power Supplier and Meralco under this Agreement with respect to sale and purchase of Contract Capacity and Associated Energy, and Replacement Energy, shall become effective.

3.5 Commercial Operations Date

The Plant shall achieve Commercial Operations Date for each Unit of the Plant upon the delivery of the Power Supplier of the documents enumerated below, in form and substance, reasonably satisfactory to Meralco:²

xxx

3.7 Early Occurrence of the Commercial Operations Date

3.7.1 In the event that Power Supplier achieves Commercial Operations Date prior to the occurrence of the Operations Effective Date, Power Supplier shall promptly

¹ Article 1 of the PSA defines Operations Effective Date for Unit 1 of the Plant to be on December 26, 2022, or such earlier date that may be agreed to by Meralco in accordance with Section 3.7 of the PSA.

² With respect to the Commercial Operations Date of every Unit, CLPPC shall submit the following documents:

- (a) Capacity Test Certificate;
- (b) a Net Plant Heat Rate Test Certificate;
- (c) all permits, licenses, authorizations and other approvals from all Government Authorities and third parties needed for the supply of electricity by CLPPC to Meralco;
- (d) a Commercial Operations Date Certificate; and
- (e) Power Supplier certification that the insurances have been obtained.

deliver to Meralco written notice thereof on or before the Commercial Operations Date. Upon receipt of such written notice, Meralco shall, by written notice to Power Supplier, choose between the following options:

- a) Consider that Operations Effective Date shall occur on the Commercial Operations Date or such other later date as provided under Section 3.7.2; or
- b) Require Power Supplier to deliver, for purchase by Meralco on a non-firm basis, such portion of the Contract Capacity and Associated Energy needed by Meralco from Commercial Operations Date to Operations Effective Date, which shall be paid at the Price. For the avoidance of doubt, Meralco shall have priority over the Contract Capacity and Associated Energy. If needed by Meralco, it shall communicate its binding day-ahead nominations of the Contract Capacity and Associated Energy (or a portion thereof) to Power Supplier.

xxx

Article 5 Sale and Purchase of Contract Capacity and Associated Energy

5.1 Supply of Power

Subject to the terms and conditions of this Agreement:

5.1.1 From the Operations Effective Date until the expiration of the Term or earlier termination of this Agreement, Power Supplier shall:

- (a) make available to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in

accordance with Appendix D, the Contract Capacity; and

- (b) sell to Meralco, and Meralco shall purchase from Power Supplier, at the Price determined in accordance with Appendix D, the Associated Energy, to the extent of Meralco's relevant day-ahead nominations.

The Dispatch of Contract Capacity and Associated Energy shall meet the requirements set out in Appendix B (*Technical Limits*).

5.1.2 Unless otherwise expressly permitted by this Agreement, Power Supplier shall not, without Meralco's prior written consent:

- (a) sell, divert, grant, transfer, dedicate, reserve or assign all or any portion of the Contract Capacity and Associated Energy to any Person other than Meralco; or
- (b) provide Meralco with capacity and/or electrical energy from any source other than the Plant.

5.1.3 The supply of the Contract Capacity and Associated Energy by Power Supplier to Meralco shall be in accordance with WESM Rules. Moreover, each Party shall, during the Term, always keep and maintain its registration as Direct WESM Member Trading Participant.

5.1.4 Power Supplier shall source its supply for Meralco from the Plant except during: (i) the period when the Operations Effective Date occurs prior to Commercial Operations Date; (ii) Outages; (iii) any curtailment due to Dispatch Instructions; (iv) ramping limitations; and (v) system frequency fluctuations.

Article 8 Outages

8.1 Outage Allowances and Replacement Energy

8.1.1 For Outages within the Full Load Equivalent Aggregate Outage Allowance³ for the Contract Year, Power Supplier shall supply Meralco with Replacement Energy that shall be declared as BCQ and shall be paid by Meralco at the Price in accordance with Appendix D.

8.1.2 During Outages within the Full Load Equivalent Cumulative Outage Allowance⁴ for the Contract Year, Meralco shall procure its own Replacement Energy from the WESM and Power Supplier shall not bill Meralco for these quantities. xxx

8.1.3 During Outages beyond the Full Load Equivalent Cumulative Outage Allowance up to an accumulated maximum of one hundred eighty (180) Full Load Equivalent Outage Days for the Contract Year, Power Supplier shall supply Meralco with Replacement Energy that shall be declared as BCQ; provided that Meralco shall pay such Replacement Energy at (i) PHP 5.00 per kWh or WESM price, whichever is lower, on an hourly basis, for the first five (5) Contract Years; and (ii) PHP 4.50 per kWh or WESM price, whichever is lower, on an hourly basis, for the succeeding Contract Years. For the avoidance of doubt, the minimum WESM price mentioned in (i) and (ii) above shall be Zero Pesos (PHP 0.00) per kWh on an hourly basis.

xxx

³ As defined under Article I of the PSA, "**Full Load Equivalent Aggregate Outage Allowance** means: (i) the first thirty five (35) Full Load Equivalent Outage Days due to a Forced Outage or a Scheduled Outage for every Contract Year; or (ii) the first sixty five (65) Full Load Equivalent Outage Days during Major Maintenance, which shall occur not more frequent than every four (4) years."

⁴ As defined under Article I of the PSA, "**Full Load Equivalent Cumulative Outage Allowance** means the thirty (30) Full Load Equivalent Outage Days due to an Outage beyond the Full Load Equivalent Aggregate Outage Allowance for every Contract Year, for which Meralco shall procure its own Replacement Energy pursuant to Section 8.1.2.

**Article 9 Adjustments in Contract Capacity and
Associated Energy**

**9.1 Implementation of Retail Competition
and Open Access**

The Parties acknowledge that Retail Competition and Open Access is being implemented in phases in accordance with the guidelines being issued by the ERC, and upon implementation of each phase, the amount of Contract Capacity may be adjusted in accordance with the terms hereof.

**9.2 Assignment or Transfer of Contract
Capacity Due to Retail Competition and
Open Access**

In connection with the implementation by the ERC of Retail Competition and Open Access, Meralco shall, also be entitled to assign, transfer, designate, delegate or allocate (collectively in this context, **"Transfer"**) its rights and obligations to purchase a portion of Contract Capacity and Associated Energy that is no longer required by Meralco as a result of Retail Competition and Open Access (i) to any of its Affiliates or business segments, to the extent allowed by Law, without the prior consent of the Power Supplier; or (ii) to any other Person subject to the consent of Power Supplier, which consent shall not be unreasonably withheld.

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**9.3 Reduction in Contract Capacity and
Associated Energy**

9.3.1 Subject to the provisions of Section 9.3.2 below, Meralco shall, from time to time, be entitled to a reduction in the Contract Capacity and Associated Energy (the **"Reduction in Contract Capacity and Associated Energy"**) equivalent to the reduction in the demand of its captive customers by reason of the enforcement of RCOA, the Renewable Energy Law and other Laws and Legal Requirements.

XXX

Article 10 Billing and Payment

XXX

10.2 Payments

10.2.1 Meralco shall pay the entire amount indicated in the Final Invoice (subject to Appendix G) when due and payable, provided that Meralco shall not be required to make payment on any Invoice that is manifestly in error, apparently invalid or not in the form or substance contemplated by this Agreement until the same has been corrected following prompt notice by Meralco to Power Supplier of such error, invalidity or absence of proper form or substance.

XXX

Article 11 Taxes, Fees and Costs

XXX

11.4 Charges Due to Change in Circumstances

- (a) If as a result of a Change in Circumstances, Meralco becomes liable to pay any new charges, fees, taxes, duties, assessments or other similar amounts ("**New Charges**"), or any increase in existing charges, fees, taxes, duties, assessments or other similar amounts ("**Increased Charges**") become payable with respect to this Agreement, the New Charges or Increased Charges shall form part of the price that Meralco will charge to its customers.
- (b) If as a result of a Change in Circumstances affecting Power Supplier, Power Supplier becomes liable to pay any New Charges or any Increased Charges or a Change in Circumstances materially and adversely affects the ability of Power

Supplier to perform or materially increases the operating costs or capital expenditures associated with the Plant or materially and adversely affects its performance of its obligations under this Agreement, adversely affects the sale by Power Supplier of Contract Capacity and Associated Energy in accordance with this Agreement, makes the Power Supplier's administration or operational aspects of such performance materially more burdensome (whether made at the direction of any Governmental Instrumentality or otherwise) or causes serious damage to, or materially and adversely affects the financial condition of Power Supplier, Power Supplier shall send a notice to Meralco of the occurrence of such Change in Circumstances ("**Notice of Change in Circumstances**") together with an analysis of the cost impact of such Change in Circumstances. Within thirty (30) Days of such Notice of Change in Circumstances, Meralco and Power Supplier shall meet to discuss, in good faith, remedial measures to mitigate the impact of such Change in Circumstances. Each Party shall cooperate in good faith to secure any Governmental Authorizations to implement any agreed remedial measures. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the Power Supplier shall be entitled to terminate this Agreement in accordance with the provisions of Section 17.6.6(a).

- (c) In the event that, as a result of a Change in Circumstances and pursuant to a corresponding order of the ERC or any other Government Instrumentality:

- (a) Meralco is prevented from making a pass through to its

customers of any charges under this Agreement (as approved by the ERC in the ERC Final Approval as accepted by Power Supplier); or

- (b) any portion of the Price that has been paid to Power Supplier is required to be refunded to Meralco or Meralco's customers in connection with the ERC Application or any petition, claim, case, proceeding or other action involving any of the Parties brought before any judicial, administrative or quasi-judicial body,

The Parties shall enter into good faith negotiations to agree on a satisfactory solution regarding the amendment of this Agreement to restore Meralco's commercial position prior to such Change in Circumstances, including an adjustment of the Price. If the Parties fail to reach a mutually satisfactory resolution within sixty (60) Days from the commencement of negotiations, the provisions of Section 17.6.6(b) will apply.

xxx

13.2 ERC Approval

13.2.1 Subject to the non-occurrence of the Longstop Date, upon receipt of the ERC Final Approval, Meralco shall provide a copy of such ERC Final Approval to Power Supplier. Power Supplier shall have ten (10) Days from the date of receipt from Meralco of such ERC Final Approval to notify Meralco in writing that (i) it accepts such ERC Final Approval or (ii) it does not accept the ERC Final Approval, stating the grounds for non-acceptance.

13.2.2 In case of Power Supplier's non-acceptance, Power Supplier shall be free to: (i) file with the ERC a motion for reconsideration or (ii) terminate this Agreement upon sixty (60) days prior written notice to Meralco; provided that,

any order on a motion for reconsideration shall be treated as an ERC Final Approval for purposes of the processes under this Section 13.2; provided further that, if the motion for reconsideration is denied by the ERC, or approved by the ERC but still with any material term or condition that is not acceptable to Power Supplier, Power Supplier may terminate this agreement upon sixty (60) days prior written notice to Meralco.

XXX

Article 16 Force Majeure

XXX

16.4 Effect of Extended Force Majeure

If any Event of Force Majeure prevents Power Supplier from making Available the Contract Capacity or Associated Energy or Meralco from accepting Contract Capacity or Associated Energy, in each case for a continuous period of more than one hundred eighty (180) Days, then either Party may upon written notice, require the other Party to meet as soon as practicable to reasonably discuss any modification, change or amendment of this Agreement under such reasonable terms, to the extent necessary to resolve the issues arising from the Event of Force Majeure and maintain, to the extent feasible, the rights and obligations of the Parties under this Agreement.

If the Parties do not reach such satisfactory solution prior to the end of such one hundred eighty (180) Day period, or such other time as may be agreed upon, either Party may terminate this Agreement in accordance with Section 17.6.5.

XXX

17.3 Remedies in case of Event of Default

17.3.1 During the Curing Period with respect to a Power Supplier Event of Default, Meralco shall, for each time Power Supplier fails to make Available the Contract Capacity or to deliver the Associated Energy, be entitled to source energy from the WESM. In such case, and provided that Power Supplier is able to cure the Power Supplier Event of Default prior to the exercise by Meralco of its rights under Section 17.3.3, Power Supplier shall be liable to pay Meralco the difference between the amount Meralco actually paid for such energy and the Price.

17.3.2 During the Curing Period with respect to a Meralco Event of Default, Power Supplier shall, from the time of Meralco's failure to accept or pay for the Contract Capacity and Associated Energy, be entitled to sell the Contract Capacity and Associated Energy to the WESM. In such case, and provided that Meralco is able to cure the Meralco Event of Default prior to the exercise by Power Supplier of its rights under Section 17.3.4, Meralco shall be liable to pay Power Supplier the difference between the amount Power Supplier actually received from such sale to the WESM and the Price.

xxx"

10. The Payment Structure, as provided in Appendix D of the PSA shall be as follows:

"2. PAYMENT

The Monthly Power Bill (MPB) will be the payment to be made to the Power Supplier in each Billing Period for the Contract Capacity and Associated Energy. Each Unit of the Plant will have its own MPB during its Term. It shall consist of Capacity Payments and Energy Payments, and Other Payments. The Capacity Payments consist of Monthly Capital Recovery

Payment (MCRP) and Monthly Fixed O&M Payment (MFOMP). The Energy Payments consist of Monthly Fuel Payment (MFP) and Monthly Variable O&M Payment (MVOMP). The Other Payments consist of Replacement Energy Payment (REP), Start-up Charge Payment (SCP), Supplemental Payment (SP) and the applicable Value Added Tax (VAT). Thus, the Monthly Power Bill of each Unit of the Plant will be:

$$\text{MPB} = \text{MCRP} + \text{MFOMP} + \text{MFP} + \text{MVOMP} + \text{REP} + \text{SCP} + \text{SP} + \text{VAT}''$$

11. Given the foregoing, a sample calculation of the base contract price under the PSA, given a certain set of assumptions, results in an annual effective rate of PhP3.5195 per kWh (at plant gate), as shown in the sample calculation below:

CLPPC PSA - Rate Impact
(YEAR 2023)

BILLING COMPONENT	UNIT	BASE RATE ^(a)	CPI Adj Factor ^(a)	BILLING DETERMINANT ^(a)		AMOUNT (PHP)
A. Capacity Payment (MCRP)						
Peso Portion	(Php/kW-mo)	1,022.8652		528,000	(kW)	6,304,789,497.60
B. Fixed O&M Payment (MFOMP)			1.000000			
Peso Portion	(Php/kW-mo)	238.1533		528,000	(kW)	1,508,939,308.80
C. Fuel Payment (MFP)						
US Dollar Portion	(USD/kWh) ^(b)	0.0246		3,700,224,000	(kWh)	4,190,005,919.45
D. Variable O&M Payment (MVOMP)						
Peso Portion	(Php/kWh)	0.2702		3,700,224,000	(kWh)	1,014,711,766.02
E. Other Payments ^(c)						
Replacement Energy Payment (REP)	(Php)					-
Start-up Charge Payment (SCP)	(Php)					-
Supplemental Payment (SP)	(Php)					4,625,280.00
VAT Payment (VAT)	(Php)					-
TOTAL PAYMENT	(Php)					13,023,071,771.87
Effective Rate at Plant Gate	(Php/kWh)					3.5195
WESM Line Rental Rate ^(d)	(Php/kWh)					0.3000
Delivered Rate	(Php/kWh)					3.8195

Effective Cost at WESM Price ^(e)	(Php/kWh)	8.4869
Increase / (Decrease) over WESM Price	(Php/kWh)	(4.6674)
Meralco Captive Energy Demand ^(f)	(kWh)	36,920,416,567
Increase / (Decrease) in Generation Cost	(Php)	(17,270,286,391.33)
Increase / (Decrease) in Generation Cost	(Php/kWh)	(0.4678)

NOTE:

^(a) Base Rates as set forth in Schedule 1 of Appendix D of the PSA

^(b) Fuel Payment calculated based on Guaranteed Net Plant Heat Rate at 87.16% plant load factor, Newcastle index = USD 50.38/MT, Freight Price = USD 5.90/MT, and Forex rate at PhP 46.07/USD (current prices as of Mar 2016)

^(c) Other Payments (pass through costs) based on estimated taxes

^(d) Assumed estimated CLPPC line rental rate

^(e) Cost if equivalent volume of CLPPC was sourced from the WESM based on forecast average Jan - Dec 2023 hourly prices

^(f) Meralco Captive Energy Demand based on 2023 forecast

^(a) Assumed no CPI escalation

^(b) Energy Payments based on 80.00% plant capacity factor

- 12. As seen in the rate impact above, given the above assumptions, the simulated delivered price under the PSA would result in the reduction of MERALCO's generation charge by about PhPo.4678 per kWh.
- 13. Notably, the Plant offers greater reliability compared to existing plants that are past their expected plant life, at a price competitively at par with the rates of the existing plants despite its newness.
- 14. It bears emphasis that there is an urgent need for the final approval of the PSA considering the requirement of lenders for the Honorable Commission's final approval of the PSA prior to financial closure. Only thereafter can CLPPC commence construction of the Plant to meet the target Commercial Operations Date and allow for delivery of MERALCO's needed capacity and associated energy by then.
- 15. Verily, this Honorable Commission's approval of the PSA will send strong signals to lenders of the viability of financing power generation projects in the Philippines, and thus, set the pace for infusion of similar investments by the private sector.
- 16. In support of this Joint Application, the Judicial Affidavit of **MR. CIPRINILO C. MENESES**, Head of MERALCO's Energy Sourcing Office, is attached as **ANNEX "B"** and made an integral part hereof.
- 17. Likewise, in support of this Application, the Applicants provide this Honorable Commission with the following documents, which underwent the pre-filing conference of this Honorable Commission, to wit:

DESCRIPTION OF DOCUMENT	ANNEX
Articles of Incorporation of CLPPC	C
Securities and Exchange Commission ("SEC") Certificate of Registration of the said Articles of Incorporation	D
List of Shareholders (Latest GIS of CLPPC – SEC Form)	E
Write-up on Board of Investment ("BOI") Certificate of Registration	F
Write-up on Environmental Compliance Certificate ("ECC")	G
Power Supply Agreement	H
Write up on details of the PSA: a) Executive Summary;	I

b) Sources of Funds/Financial Plans; c) Purchased Power Rate; d) Cash Flow	
Write-up on the Procurement Process of Fuel	J
Write-up on CLPPC's Related Agreements	K
Write-up on Certificate of Compliance ("COC") of CLPPC	L
Acknowledgement receipt by the City of Pasig & Affidavit of Publication	M
Publication in a newspaper of general circulation within the franchise area of the Application	N
Rate Impact on the overall rates of MERALCO upon approval of the PSA	O
Write up on Transition Supply Capacity	P
All relevant technical and economic characteristics of the generation capacity; installed capacity, mode of operation, dependable capacity	Q
Write up on the cost analysis related to the generation in support of the proposed pricing provisions of the PSA	R
Write up on the details on the procurement process used by MERALCO	S
Write up on the details regarding the transmission projects or grid connection projects	T
Write-up on consistencies and inconsistencies between the proposed generation capacity and the DOE Philippine Development Plant (PDP)	U
Distribution Development Plant (DDP) of MERALCO	V
Demand Side Management (DSM) Program	W
Write up on other documentation that may be needed by the ERC in the course of the evaluation, such as, but not limited to the following: a) Latest Audited Financial Statements of CLPPC; b) Bank Certification of Long-term Loans; c) Operating Expenses; d) Sworn Statement detailing how the fuel was competitively procured etc; e) Certification on the net heat rate f) Simulation of the no. of operating units necessary to meet the MEOT and/or additional energy/demand requirements of the DU. g) Potential Cost of Ancillary Services	X

PRAYER

WHEREFORE, premises considered, it is respectfully prayed that, after hearing on the merits, a Decision be rendered **APPROVING** the PSA between Applicants MERALCO and CLPPC.

Other reliefs just and equitable under the circumstances are likewise prayed for.

Thereafter, on 04 May 2016 and 28 October 2016, the following compliances were submitted to the Commission:

- a) Affidavit of Publication;
- b) Business World Newspaper; and
- c) CLPPC Secretary's Certificate.

The Commission has set the said Application for determination of compliance with the jurisdictional requirements, Expository Presentation, Pre-trial Conference, and presentation of evidence on **16 February 2017 (Thursday) at two o'clock in the afternoon (2:00 P.M.), at the ERC Hearing Room, 15th Floor, Pacific Center Building, San Miguel Avenue, Pasig City.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating:

- (1) the petitioner's name and address;
- (2) the nature of petitioner's interest in the subject matter of the proceeding, and the way and manner in which such interest is affected by the issues involved in the proceeding; and
- (3) a statement of the relief desired.

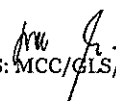
All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the Application and or comment thereon at any stage of the proceeding before the Applicants conclude the presentation of their evidence. No particular form of opposition or

comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

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

WITNESS, the Honorable Chairman **JOSE VICENTE B. SALAZAR** and the Honorable Commissioners **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT**, and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 5th day of January 2017 in Pasig City.


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


LS: MCC/GLS/NJM