

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

IN THE MATTER OF THE
 APPLICATION FOR APPROVAL
 OF THE STAGGERED
 RECOVERY AND PAYMENT OF
 THE DIFFERENTIAL
 GENERATION CHARGE FOR
 THE FEBRUARY 2017 SUPPLY
 MONTH, WITH PRAYER FOR
 PROVISIONAL AUTHORITY.

RECEIVED BY:

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ERC CASE NO. 2017-008 RC
(2017-002 CF)

**MANILA ELECTRIC COMPANY
 (MERALCO),**

Applicant.

X-----X

APPLICATION

Applicant **MANILA ELECTRIC COMPANY ("MERALCO")**, by counsel and to this Honorable Commission, respectfully states:

1. 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. This Application is being filed pursuant to the Guidelines for the Automatic Adjustment of Generation Rate and System Loss

Rates by Distribution Utilities ("AGRA Rules").¹ Article VIII, Section 1 thereof provides:

"Section 1. Exception Clause. Where good cause appears, the ERC may allow an exception from any provisions of these Guidelines, if such exception is found to be in the public interest and is not contrary to law or any other related rules and regulations."

4. From 28 January to 16 February 2017, the Shell Philippines Exploration B.V. ("SPEX")-Malampaya Natural Gas Facility is scheduled for maintenance shutdown ("SPEX-Malampaya Outage"), which will affect the supply of natural gas to the Ilijan, Sta. Rita, San Lorenzo, San Gabriel and Avion plants. These power plants supply an aggregate capacity of 3,211 MW to the Luzon Grid, 2,565 MW of which is supplied to MERALCO's franchise area.

5. In addition, the SPEX-Malampaya Outage will coincide with the scheduled maintenance of the power plants of Sem-Calaca Power Corporation – Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585 MW to meet MERALCO's requirements.

6. To mitigate the impact of these outages on generation costs to be passed through to end-users, MERALCO has undertaken the following measures:

6.1 MERALCO has coordinated with and advised FGP Corp. and First Gas Power Corporation ("FGPC") to run San Lorenzo and Sta. Rita, respectively, on liquid fuel during the SPEX-Malampaya Outage.

6.2 While Ilijan 1 will likewise be on maintenance shutdown, MERALCO has coordinated with South Premiere Power Corp. ("SPPC") for use of bio-diesel by Ilijan 2, so it could continue to make available approximately 420 MW to meet MERALCO's requirements during the SPEX-Malampaya outage.

6.3 MERALCO has made necessary preparations for implementation of its Interruptible Load Program ("ILP") should

¹ 13 October 2004 Order in ERC Case No. 2004-322, entitled, *"In the Matter of the Adoption of the Guidelines for the Automatic Adjustment of Generation Rates and System Loss Rates by Distribution Utilities."*

the Luzon Grid be placed on Red Alert during the SPEX-Malampaya Outage.

6.4 MERALCO has negotiated with Power Suppliers for the supply of its peaking requirements during the SPEX-Malampaya Outage.

- a. MERALCO has signed an Interim Power Supply Agreement ("IPSA") with Strategic Power Devt. Corp. ("SPDC") for the supply of (i) 100 MW per hour from 0901H to 1000H and 2001H to 2100H and (ii) 150 MW per hour from 1001H to 2000H during the SPEX-Malampaya Outage. The IPSA was implemented starting 28 January 2017.
- b. MERALCO and Panay Energy Development Corporation ("PEDC") have agreed to increase the Contract Capacity under their Power Supply Agreement ("PSA") dated 26 April 2016 to 70 MW (instead of 28MW) starting 28 January 2017. In an Order dated 11 July 2016, the ERC issued a provisional authority to implement the PSA in ERC Case No. 2016-114 RC.
- c. MERALCO, Toledo Power Co. ("TPC") and Panay Power Corporation ("PPC") have entered into a Letter Agreement providing that beginning 28 January 2017, TPC and PPC shall provide replacement energy at reduced prices compared to the original ERC-approved tariff under their existing IPSAs. The parties have filed a Joint Manifestation in ERC Case No. 2016-009 RC to inform this Honorable Commission of said agreement.

6.5 MERALCO has proposed mitigating measures and actively participated in coordination meetings with industry stakeholders, including the Department of Energy ("DOE"), this Honorable Commission, National Grid Corporation of the Philippines ("NGCP"), Philippine Electricity Market Corporation ("PEMC") and SPEX.

6.6 MERALCO has likewise written the DOE and this Honorable Commission to advise them of the mitigating measures being undertaken by MERALCO, as well as other proposed mitigating measures that may be pursued by other

industry stakeholders. Copies of these letters are attached as **Annexes "A" and "B"**, and made an integral part hereof.

7. It should be noted, however, that while the use of alternative fuels allows the San Lorenzo, Sta. Rita and Ilijan plants to continue running, liquid fuels are more expensive than Malampaya gas. Thus, while the use of these alternative fuels assures continued supply of power from these plants and mitigates possible impact of the SPEX-Malampaya Outage on Wholesale Electricity Spot Market ("WESM") prices, it is expected to increase the blended generation rates to MERALCO's customers.

8. The incremental fuel costs due to the use of liquid fuel is expected to increase the overall rate of MERALCO for the March 2017 billing by about PhP0.9174 per kWh.

9. Under Article III, Section 2 of the AGRA Rules, MERALCO is authorized to automatically reflect the full generation cost in its March 2017 billing to its customers, as calculated in accordance with the adjustment formula laid down in Article III, Section 1 of the same Rules.

10. While MERALCO is prepared to reflect the true cost of generation in its billing to its customers pertaining to the period of the upcoming SPEX-Malampaya Outage, it is cognizant of the financial burden such rate spike will place on its customers.

11. To mitigate the effect of an abrupt increase in generation cost due to the use of liquid fuel, especially considering that the WESM prices may also increase during this period, MERALCO proposes that instead of reflecting the full incremental fuel cost component of the total generation cost in the March 2017 generation charge rate, it be allowed to implement the increase in three (3) billing months starting March until May 2017.

12. This would mean that of the estimated incremental fuel cost of PhP2.4 Billion to be incurred over the period of the SPEX-Malampaya Outage in the February 2017 supply month, only one third ($\frac{1}{3}$), or around PhP791 Million (approximately PhP0.30 per kWh) will be included in each of the March and April 2017 billing months and the remainder to be included in the May 2017 generation charge rates.

13. With recovery of the incremental fuel costs for the March 2017 billing to customers pegged at PhP0.30 per kWh, the estimated

generation charge to be deferred, which corresponds to the incremental fuel costs amounts to PhP0.6174 per kWh.

14. The foregoing calculations shall be without prejudice to adjustments that may be necessary as actually reflected in the power bills issued by the power suppliers for the February 2017 supply month.

15. Should the proposed change in the recovery of the generation cost for the billing month of March 2017 be approved, MERALCO is however required, under its power supply contracts, to pay its suppliers in full.

16. To ensure MERALCO's revenue-neutral position with regard to the pass-through of generation costs, MERALCO also proposes to defer payment to such power suppliers of the respective amounts of generation charge owing to them for the February 2017 supply month.

17. It bears emphasis that MERALCO can only pay its power suppliers for the differential generation costs by recovering said costs from its customers. Accordingly, MERALCO proposes to defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing. Additionally, these proposals are without prejudice to any application that may be subsequently filed for the recovery of any appropriate carrying charges.

18. Considering the pressing nature of the instant Application to allow MERALCO to stagger recovery of the incremental fuel costs and the corresponding payment to affected power suppliers, for a period of three (3) months starting from March to May 2017 billings, and therefore avoid any consequential financial prejudice to MERALCO, its suppliers, and most especially, the consumers, it is therefore urgent that a provisional authority be immediately issued upon filing and pending hearing of this Application. In support of this Application and the prayer for provisional authority, attached as Annex "C" and made an integral part hereof is the judicial affidavit of Ryan S. Morales, Officer of Energy Resource Planning, Energy Sourcing Office of MERALCO.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that this Application be APPROVED allowing MERALCO to:

- i. impose a differential generation charge of PhP0.30 per kWh for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., FGPC and SPPC for the February 2017 supply month; and
- ii. defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing.

Pending hearing, it is further prayed that a Provisional Authority ("PA") be immediately issued to MERALCO to implement the foregoing.

Other relief just and equitable under the premises are likewise prayed for.

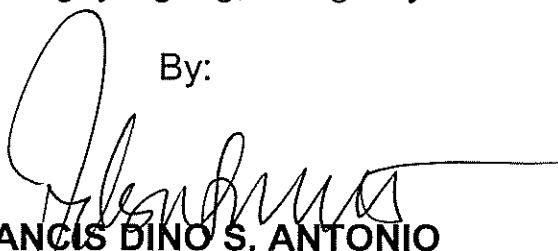
Pasig City, Metro Manila, 30 January 2017.

MANILA ELECTRIC COMPANY

Applicant

Lopez Building, Ortigas Avenue,
Barangay Ugong, Pasig City

By:



FRANCIS DINO S. ANTONIO

Roll of Attorneys No. 48145

PTR No. 2684871; 01/27/17; Pasig City

IBP No. 1061089; 01/10/17; RSM

MCLE Compliance No. V-0004608; 6 November 2014



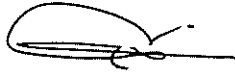
CARMEN GRACE S. RAMOS

Roll of Attorneys No. 55945

PTR No. 2684872; 01/27/17; Pasig City

IBP No. 1061090; 01/10/17; RSM

MCLE Compliance No. VI-0000248; 11 July 2016



KATHERINE MARI S. GARCIA-MORENO

Roll of Attorneys No. 56002

PTR No. 2684877; 01/27/17; Pasig City

IBP No. 1061093; 01/10/17; RSM

MCLE Compliance No. VI-0000235; 11 July 2016

7th Floor, Lopez Building,
Ortigas Avenue, Barangay Ugong, Pasig City
Tel no. 1622-2260; Fax No: 1622-3550

REPUBLIC OF THE PHILIPPINES }
CITY OF PASIG }S.S.

VERIFICATION/CERTIFICATION

I, **JOSE RONALD V. VALLES**, Filipino, of legal age, married, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Brgy. Ugong, Pasig City, after being sworn to in accordance with law, hereby depose and say, THAT-

1. I am the Vice President and Head, Regulatory Affairs Office of Applicant Manila Electric Company (MERALCO);

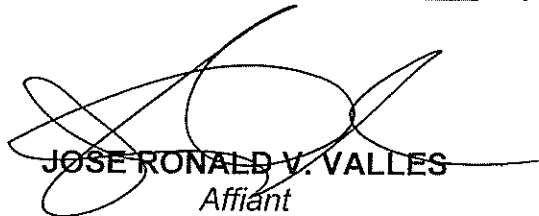
2. I caused the preparation of this Application and I have read and understood the allegations contained therein; and all the facts stated therein are true and correct based on authentic records made available to me in the ordinary course of business of MERALCO;

3. I am duly authorized by the Board of Directors to certify that MERALCO has not heretofore commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and to sign this verification and certification is attached as **Annex "D"** and made an integral part hereof;

4. To the best of my knowledge, no other related action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other tribunal or agency;

5. If I should hereafter learn that any similar action or proceeding is filed or pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days therefrom to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this JAN 30 2017 day of January 2017, at Pasig City, Philippines.


JOSE RONALD V. VALLES
Affiant

SUBSCRIBED and SWORN to before me this JAN 30 2017 day of January 2017, affiant exhibited to me his Social Security System ID bearing the number 33-10900088.

Doc. No. 524
Page No. 106
Book No. VI
Series of 2017.


ATTY. FREEDOM IANFE M. NAVIDAD
Notary Public
Pasig, San Juan, Taguig and Pateros
Issued on December 29, 2015 at Pasig City
Appointment No. 77 (2016-2017)
Roll No. 53655/ISP No. 002731-119117 RSM Chapter
PTR No. 2482553-112517 Pasig City
MCLE V-0002608-06/09/14
8th Floor Lopez Bldg., Ortigas Avenue, Pasig City

ANNEX " A "



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX " A "

6 January 2017

Sec. ALFONSO G. CUSI
Department of Energy
Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

SUBJECT: Mitigation of Impact of SPEX-Malampaya Outage on Generation Charges

Dear Secretary Cusi:

We write in relation to the SPEX-Malampaya outage scheduled on 28 January to 16 February 2017. The shutdown will affect the supply of natural gas to the Ilijan, San Lorenzo and Sta. Rita plants, which supply an aggregate capacity of 2565MW to MERALCO's franchise area and 2700MW to the Luzon Grid. In addition, the shutdown will coincide with the scheduled maintenance of the power plants of Sem-Calaca Power Corporation – Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585MW to meet MERALCO's requirements.

As outlined in our letter dated 23 December 2016, MERALCO has undertaken the following measures to mitigate the impact of these outages on generation costs to be passed through to end-users:

1. MERALCO has coordinated with and advised FGP Corp. and First Gas to run San Lorenzo and Sta. Rita on liquid fuel during the SPEX-Malampaya outage. Also, while Ilijan 1 will likewise be on maintenance shutdown, MERALCO has coordinated with SPPC for use of bio-diesel by Ilijan 2, so it could continue to make available around 420 MW to meet MERALCO's requirements during the SPEX-Malampaya outage. While the use of these alternative fuels allow the San Lorenzo, Sta. Rita and Ilijan plants to continue running, liquid fuels are more expensive than Malampaya gas. Thus, while the use of these alternative fuels assures continued supply of power from these plants and mitigates possible impact of the SPEX-Malampaya outage on Wholesale Electricity Spot Market ("WESM") prices, it is expected to increase the blended generation rates to be borne by MERALCO's customers.
2. Further, Meralco has made necessary preparations for implementation of its Interruptible Load Program (ILP) should the Luzon Grid be placed on Red Alert during the SPEX-Malampaya outage. It is also in coordination with Retail Electricity Suppliers (RESs) for the finalization of ILP agreements that need to be signed after customer switching.

Considering the foregoing, MERALCO simulations forecast that the volatile prices at WESM may be driven up to increase by over PhP2.00/kWh over the 20-day outage period due to the tighter supply conditions. Together, the increased fuel costs due to the use of liquid fuel and an anticipated increase in

WESM prices are expected to increase the overall rate of MERALCO for the March 2017 bill to household customers by about PhP1.44/kWh, or collectively, by around PhP3.8 Billion for all MERALCO customers.

To further alleviate the burden on end-users, we implore your good office, working hand in hand with the Energy Regulatory Commission (ERC), to take further measures to assuage the impact of the SPEX-Malampaya outage through, among other things:

1. *Regulation of WESM Prices.* Notably, the Power Supply Agreement between South Premiere Power Corp. and MERALCO provides that for scheduled outages within allowance, as in the case of Ilijan 1, replacement power shall be sourced by MERALCO from WESM, at cost. This underscores why it is equally important for MERALCO's customers that the WESM prices do not soar high.

On this front, it bears emphasis that under ERC Resolution No. 8, Series of 2014, an interim mitigating measure of a secondary price cap of PhP6,245/MWh was imposed if the Generator Weighted Average Price is breached over a rolling 72-hour period based on a threshold amounting to PhP8,186/MWh. This has since been amended by ERC Resolution No. 20, Series of 2014, which imposes a secondary price cap of PhP6,245/MWh if the Generator Weighted Average Price is breached over a rolling 168-hour period based on a threshold amounting to PhP9,000/MWh. Considering the special circumstances and environment borne out of the SPEX-Malampaya outage, it is respectfully proposed that your good office, in coordination with ERC and PEMC, spearhead the temporary reinstatement of the PhP8,186/MWh threshold during such outage period, in order to mitigate the rate impact of such event.

Alternatively, the option of imposition of regulated WESM prices using a mechanism similar to that used for the November and December 2013 supply months may be explored.

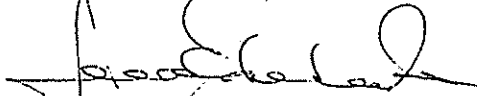
2. *Support for ILP.* We reiterate our position as emphasized in the 23 December 2016 letter that it would help ensure effectiveness of the ILP if your good office could strongly encourage ILP Administrators to conduct forums for ILP participants. Additionally, to ensure continued participation in the ILP, RESs may be instructed to encourage ILP participant-customers who will switch to the Contestable Market from now until 26 January 2017 to also sign an ILP agreement once switched.
3. *Other Measures.* To avoid further WESM price spikes brought about by forced outages and/or extended maintenance outages, close monitoring of plant operations and coordination with power plants and the National Grid Corporation of the Philippines will help.

On the demand side, energy efficiency by end-users may also be emphasized and encouraged, with the help of industry stakeholders such as MERALCO. For this purpose, MERALCO has continued to strengthen its information campaign on energy efficiency through Bright Ideas, Power Ideas, Orange Tag, KLoad and Peak/Off-Peak programs.

We trust that the foregoing matters will merit your kind attention and consideration, so that together, we can avoid an eventuality similar to what we experienced during the November and December 2013 supply months. Knowing that these concern not only MERALCO but the power industry as a whole, we

have raised the same matters in a letter addressed to the Energy Regulatory Commission, which is attached as Annex A, for your convenient reference. Rest assured that we shall do everything we can to help mitigate any adverse impact on customers. Thank you very much.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Ivanna G. Dela Peña', written over a horizontal line.

IVANNA G. DELA PEÑA

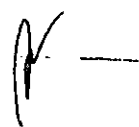
*First Vice President and Head
Regulatory Management Office*

ANNEX " B "



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

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RECEIVED BY: 

6 January 2017

Hon. JOSE VICENTE B. SALAZAR
Chairperson
Energy Regulatory Commission (ERC)
Pacific Center Building, San Miguel Avenue
Ortigas Center, Pasig City

SUBJECT: Mitigation of Impact of SPEX-Malampaya Outage on Generation Charges

Dear Chairperson Salazar:

We write in relation to the SPEX-Malampaya outage scheduled on 28 January to 16 February 2017. The shutdown will affect the supply of natural gas to the Ilijan, San Lorenzo and Sta. Rita plants, which supply an aggregate capacity of 2565MW to MERALCO's franchise area and 2700MW to the Luzon Grid. In addition, the shutdown will coincide with the scheduled maintenance of the power plants of Sem-Calaca Power Corporation – Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585MW to meet MERALCO's requirements.

To mitigate the impact of these outages on generation costs to be passed through to end-users, MERALCO has undertaken the following measures:

1. MERALCO has coordinated with and advised FGP Corp. and First Gas to run San Lorenzo and Sta. Rita on liquid fuel during the SPEX-Malampaya outage. Also, while Ilijan 1 will likewise be on maintenance shutdown, MERALCO has coordinated with SPPC for use of bio-diesel by Ilijan 2, so it could continue to make available around 420 MW to meet MERALCO's requirements during the SPEX-Malampaya outage. While the use of these alternative fuels allow the San Lorenzo, Sta. Rita and Ilijan plants to continue running, liquid fuels are more expensive than Malampaya gas. Thus, while the use of these alternative fuels assures continued supply of power from these plants and mitigates possible impact of the SPEX-Malampaya outage on Wholesale Electricity Spot Market ("WESM") prices, it is expected to increase the blended generation rates to be borne by MERALCO's customers.
2. Meralco has made necessary preparations for implementation of its Interruptible Load Program (ILP) should the Luzon Grid be placed on Red Alert during the SPEX-Malampaya outage. It is also in coordination with Retail Electricity Suppliers (RESs) for the finalization of ILP agreements that need to be signed after customer switching.

Considering the foregoing, MERALCO simulations forecast that the volatile prices at WESM may be driven up to increase by over Php2.00/kWh over the 20-day outage period due to the tighter supply

conditions. Together, the increased fuel costs due to the use of liquid fuel and an anticipated increase in WESM prices are expected to increase the overall rate of MERALCO for the March 2017 bill to household customers by about PhP1.44/kWh, or collectively, by around PhP3.8 Billion for all MERALCO customers.

To further alleviate the burden on end-users, we implore your good office, working hand in hand with the Department of Energy, to take further measures to assuage the impact of the SPEX-Malampaya outage through, among other things:

1. *Approval of the Power Supply Agreement (PSA) between MERALCO and Panay Energy Development Corporation (PEDC).* On 29 April 2016, MERALCO and PEDC filed a joint application for approval of their PSA dated 26 April 2016. Hearings thereon were completed on 21 September 2016 and all documents required by the Honorable Commission were submitted by October 2016. A resolution of this case will allow MERALCO to immediately avail of the contract capacity from PEDC, which is initially set at 28 MW and will be increased to 70 MW by 26 February 2017. Nevertheless, considering the occurrence of the SPEX-Malampaya outage beginning 28 January 2017, it would help diminish the impact on the market if the Honorable Commission can allow MERALCO to already source 70 MW from PEDC beginning 26 January 2017.
2. *Regulation of WESM Prices.* Notably, the PSA between South Premiere Power Corp. and MERALCO provides that for scheduled outages within allowance, as in the case of Ilijan 1, replacement power shall be sourced by MERALCO from WESM, at cost. This underscores why it is equally important for MERALCO's customers that the WESM prices do not soar high.

On this front, it bears emphasis that under ERC Resolution No. 8, Series of 2014, the Honorable Commission imposed an interim mitigating measure of a secondary price cap of PhP6,245/MWh if the Generator Weighted Average Price is breached over a rolling 72-hour period based on a threshold amounting to PhP8,186/MWh. This has since been amended by ERC Resolution No. 20, Series of 2014, which imposes a secondary price cap of PhP6,245/MWh if the Generator Weighted Average Price is breached over a rolling 168-hour period based on a threshold amounting to PhP9,000/MWh. Considering the special circumstances and environment borne out of the SPEX-Malampaya outage, it is respectfully proposed that the PhP8,186/MWh threshold be temporarily re-instated during such outage period, in order to mitigate the rate impact of such event.

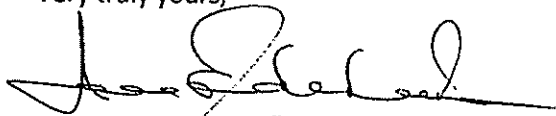
Alternatively, the Honorable Commission may want to explore the option of exercising its regulatory powers so as to intervene and direct the imposition of regulated WESM prices using a mechanism similar to that used for the November and December 2013 supply months.

3. *Support for ILP.* To ensure effectiveness of the ILP, it would help if ILP Administrators can be directed to conduct forums for ILP participants. Additionally, to ensure continued participation in the ILP, RESs may be instructed to encourage ILP participant-customers who will switch to the Contestable Market from now until 26 January 2017 to also sign an ILP agreement once switched.

4. *Deferral of Action on Cases for Rate Increase.* To cushion the rate impact of the SPEX-Malampaya outage, it is respectfully proposed that the Honorable Commission defer action on cases that pray for rate increase, such as the TRANSCO petition for increase in Feed-In Tariff Allowance.

We trust that the foregoing matters will merit your kind attention and consideration, so that together, we can avoid an eventuality similar to what we experienced during the November and December 2013 supply months. Knowing that these concern not only MERALCO but the power industry as a whole, we have raised the same matters in a letter addressed to the Department of Energy, which is attached as Annex A, for your convenient reference. Rest assured that we shall do everything we can to help mitigate any adverse impact on customers. Thank you very much.

Very truly yours,



IVANNA G. DELA PEÑA

First Vice President and Head
Regulatory Management Office

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

IN THE MATTER OF THE
APPLICATION FOR APPROVAL
OF THE STAGGERED
RECOVERY AND PAYMENT OF
THE DIFFERENTIAL
GENERATION CHARGE FOR
THE FEBRUARY 2017 SUPPLY
MONTH, WITH PRAYER FOR
PROVISIONAL AUTHORITY.

ERC CASE NO. _____

**MANILA ELECTRIC COMPANY
(MERALCO),**

Applicant.

X-----X

JUDICIAL AFFIDAVIT OF RYAN S. MORALES

The following examination of witness Mr. Ryan S. Morales, of legal age, an employee of the Manila Electric Company ("MERALCO") as Energy Resource Planning Officer of the Energy Sourcing Office, with office address at 4th Floor, Technical Services Building, MERALCO Compound, Ortigas Avenue, Pasig City, was conducted by Atty. Adrian Rex C. Dimalanta, counsel for the Applicant, at the 7th Floor, Lopez Building, Ortigas Avenue, Pasig City, this 30th day of January 2017.

The testimony of Mr. Ryan S. Morales is being offered to prove the following:

1. He is employed at MERALCO as an Energy Resource Planning Officer of the Energy Sourcing Office;
2. MERALCO anticipates incremental fuel costs due to the use of liquid fuel during the Shell Philippines Exploration B.V. ("SPEX")-Malampaya Natural Gas Facility maintenance shutdown from 28 January to 16 February 2017, which is expected to increase the overall rate of MERALCO for the March 2017 billing by about Php0.9174 per kWh;
3. As a result of the anticipated incremental fuel costs, MERALCO deems it prudent (i) to implement a staggered collection of the differential generation

charge corresponding to the incremental fuel costs, at the rate of PhP0.30 per kWh for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., First Gas Power Corporation ("FGPC") and South Premiere Power Corp. ("SPPC"), and (ii) to defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing; and

4. All other matters pertinent to the Application.

I, **RYAN S. MORALES**, of legal age, Filipino, with office address at 4th Floor, Technical Services Building, MERALCO Compound, Ortigas Avenue, Pasig City, after being sworn to in accordance with law, hereby depose and state:

Q1: What are your educational and professional qualifications?

A1: I have obtained a Bachelor's degree in Electrical Engineering from the University of the Philippines-Diliman. Also, I am a Registered Electrical Engineer.

Q2: Where are you presently employed?

A2: At present, I am employed at the Manila Electric Company ("MERALCO") as an Energy Resource Planning Officer of the Energy Sourcing Office.

Q3: Since when have you been employed in MERALCO?

A3: I have been employed in MERALCO since September 2001. On December 2010, I became an Energy Resource Planning Officer of the Energy Sourcing Office.

Q4: What are some of your duties and responsibilities as Energy Resource Planning Officer of the Energy Sourcing Office?

A4: My duties and responsibilities include, among others, working directly with the Head of the Energy Sourcing Office in planning for the sourcing of MERALCO's capacity and energy requirements and managing the Company's energy sourcing operations.

Q5: Are you familiar with the case entitled: *"In the matter of the Application for the Approval of the Staggered Recovery and*

Payment of the Differential Generation Charge for the February 2017 Supply Month, With Prayer for Provisional Authority” (the “Application”)? Why?

A5: Yes, I am familiar with the same as I was directly involved in the preparation of the Application and its Annexes.

Q6: For what purpose is your Judicial Affidavit being taken?

A6: My Judicial Affidavit is being taken in support of the aforesaid Application of MERALCO for the approval of: (i) the imposition of a differential generation charge of PhP0.30 per kWh for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., First Gas Power Corporation (“FGPC”) and South Premiere Power Corp. (“SPPC”) for the February 2017 supply month, and (ii) the deferment of payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, to particularly show the generation costs estimated to be incurred by MERALCO and the corresponding proposed generation charges that it will impose on its customers.

Q7: Why is MERALCO filing the Application?

A7: MERALCO is filing the Application in order to mitigate the effect of anticipated increase in generation cost due to the use of liquid fuel during the Shell Philippines Exploration B.V. (“SPEX”)-Malampaya Natural Gas Facility maintenance shutdown from 28 January to 16 February 2017 (“SPEX-Malampaya Outage”), which will affect the supply of natural gas to the Ilijan, Sta. Rita, San Lorenzo, San Gabriel and Avion plants. These power plants supply an aggregate capacity of 3,211 MW to the Luzon Grid, 2,565 MW of which is supplied to MERALCO’s franchise area.

In addition, the SPEX-Malampaya Outage will coincide with the scheduled maintenance of the power plants of Sem-Calaca Power Corporation – Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585 MW to meet MERALCO’s requirements.

Q8: How is the use of liquid fuel during the SPEX-Malampaya Outage anticipated to increase the generation cost?

A8: The incremental fuel costs due to the use of the more expensive liquid fuel is expected to increase the overall rate of MERALCO for the March 2017 billing by about PhP0.9174 per kWh.

The computation of the estimated incremental fuel cost for the March 2017 billing month is attached to this Judicial Affidavit as **Annex "A"**, and made an integral part hereof.

Q9: How does MERALCO propose to recover this increase from its customers?

A9: Although the AGRA Rules allows MERALCO to automatically reflect the full generation costs for the February 2017 supply month in the March 2017 billing to its customers, to mitigate the effect of an abrupt increase in generation cost due to the use of liquid fuel, especially considering that the WESM prices may also increase during this period, MERALCO proposes to instead implement a staggered collection of the anticipated increase in fuel costs to up to three (3) billing months starting March until May 2017.

This would mean that of the estimated incremental fuel cost of PhP2.4 Billion to be incurred over the period of the SPEX-Malampaya Outage, only one third ($\frac{1}{3}$), or around PhP791 Million (approximately PhP0.30 per kWh) will be included in each of the March and April 2017 billing months and the remainder will be included in the May 2017 billing month.

With recovery of the incremental fuel costs for the March 2017 billing to customers pegged at PhP0.30 per kWh, the estimated generation charge to be deferred, which corresponds to the incremental fuel costs, amounts to PhP0.6174 per kWh. Notably, these amounts are subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., FGPC and SPPC for the February 2017 supply month.

Q10: What is the basis of MERALCO for filing the Application?

A10: The Application is being filed pursuant to the AGRA Rules, which provides that the Honorable Commission may allow an exemption from any provision thereof, if found to be in the public interest and not contrary to law or any other related rules and regulations.

Q11: How does MERALCO propose to make payments to the affected power suppliers considering the proposed staggered recovery of incremental fuel costs from its customers?

A11: To ensure MERALCO's revenue-neutral position with regard to the pass-through of generation costs, MERALCO also proposes to defer payment to such power suppliers of the respective amounts owing to them in relation to the incremental fuel costs for the February 2017 supply month.

It bears emphasis that MERALCO can only pay its power suppliers for the differential generation costs by recovering said costs from its customers. Accordingly, MERALCO proposes to defer payment to such power suppliers of the respective amounts

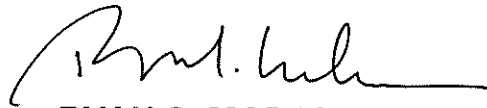
owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs earlier mentioned.

Q12: What are the other things prayed for by MERALCO, if any?

A12: Considering that MERALCO begins to bill its customers on the fourth (4th) day of each calendar month, there is a pressing need for the Application to be provisionally approved to allow MERALCO to stagger recovery of the incremental fuel costs and the corresponding payment to affected power suppliers, for a period of up to three (3) months starting from March to May 2017 billings, and therefore avoid any consequential financial prejudice to MERALCO, its suppliers, and most especially, the consumers. Thus, MERALCO also prays that a provisional authority be immediately issued upon filing and pending hearing of the Application.

Q13: Do you affirm and confirm the truthfulness and veracity of your answers to the questions asked?

A13: Yes.

A handwritten signature in black ink, appearing to read 'Ryan S. Morales', written in a cursive style.

RYAN S. MORALES

Affiant

ATTESTATION

I, **ATTY. ADRIAN REX C. DIMALANTA**, of legal age, Filipino, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Pasig City attest to the following that:

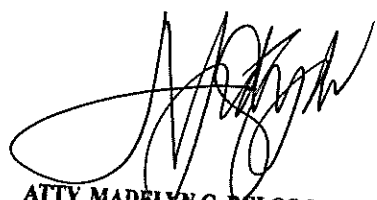
1. I am the lawyer who conducted the examination of witness, Mr. Ciprinilo C. Meneses;
2. I have faithfully recorded or caused to be recorded the questions I asked and the answers given by the witness;
3. Neither I nor any other person coached the witness regarding his answers.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 30th day of January 2017, at Pasig City, Philippines.


ATTY. ADRIAN REX C. DIMALANTA
Affiant

SUBSCRIBED AND SWORN TO before me this 30th day of January 2017 by Engr. Ryan S. Morales and Atty. Adrian Rex C. Dimalanta exhibiting their SSS ID with No. 3372285673 and Driver's License with No. N03-03-365433, respectively, as proof of their identities.

Doc. No.: 329;
Page No.: 47;
Book No.: I;
Series of 2017.


ATTY. MADELYN C. DELOS SANTOS
Notary Public
Pasig, San Juan, and Pateros
Issued on June 6, 2016 at Pasig City
Appointment No. 14612016-0017)
Roll No. 64977/IBP No. 1002734-1/19117 Laguna Chapter
PTR No. 2082554-112517 Pasig City
MCLE V-0023958-04/14/19
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City

ANNEX "A"

Calculation of the Incremental Cost of Liquid Fuel During Malampaya Outage

A		B		C	D = A * (C - B)
Dispatch Energy during Malampaya Outage, GWh		Natural Gas Price, Php/kWh		Liquid Fuel Price, Php/kWh	Incremental Cost, Million Php
SPPC - Ilijan	196.83	2.50		6.99	884.84
FGPC - Sta. Rita	459.83	2.46		4.70	1,029.00
FGP - San Lorenzo	226.55	2.48		4.70	503.57
TOTAL					2,417.41

<i>Impact to Customers, Php/kWh</i>	<i>0.9174</i>
-------------------------------------	---------------

Assumptions:

Forecasted Captive Energy for February 2017, GWh	2,635.0
Forex rate, Php/USD	49.93
Natural Gas Price (USD/GJ)	
SPPC - Ilijan Gas Price	6.2219
FGPC - Sta. Rita Gas Price	6.5700
FGP - San Lorenzo Gas Price	6.6100
Liquid Fuel Price	
SPPC - Ilijan Liquid Fuel Price (USD/GJ)	16.7646
FGPC - Sta. Rita Liquid Fuel Price (USD/MMBtu)	12.7946
FGP - San Lorenzo Liquid Fuel Price (USD/MMBtu)	12.7946



ORTIGAS AVENUE, PASIG CITY
0300 PHILIPPINES

ANNEX " D "

SECRETARY'S CERTIFICATE

I, WILLIAM S. PAMINTUAN, a duly elected, qualified and incumbent Assistant Corporate Secretary of the Manila Electric Company (MERALCO), a corporation duly organized and existing under and by virtue of the laws of the Philippines, do hereby certify that:

At the regular meeting of the Board of Directors of the Company duly convened and held on January 30, 2017, at which meeting a quorum was present, acted throughout and voted, the following resolutions were approved and said resolutions are in full force and effect on the date hereof:

"RESOLVED, that the Board of Directors of the Manila Electric Company Electric Company (MERALCO) hereby authorizes MERALCO to file an Application with the Energy Regulatory Commission (ERC) entitled: 'IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE STAGGERED RECOVERY AND PAYMENT OF THE DIFFERENTIAL GENERATION CHARGE FOR THE FEBRUARY 2017 SUPPLY MONTH, WITH PRAYER FOR PROVISIONAL AUTHORITY;'

"RESOLVED, FURTHER, that the Board of Directors authorize, as it hereby authorizes, MERALCO, through Atty. JOSE RONALD V. VALLES, Vice President and Head, Regulatory Affairs, or any lawyer or employee of MERALCO that he may designate, name or appoint:

- (1) to sign, execute, and deliver in connection therewith the necessary pleadings, motions, verification, affidavit of merit, certificate of non-forum shopping, powers of attorney, and other instruments as may be necessary or proper; and
- (2) To designate, name, and appoint, a representative or an attorney-in-fact in behalf of the Company during the preliminary conference, pre-trial, trial, execution and all other stages of or incidents related to the case, proceeding or action; to negotiate, enter into, and agree to an amicable settlement, make admissions or stipulations of fact and/or documents; and to perform and execute any and all actions and such other matters as may aid in the prompt disposition of such case, proceeding or action."

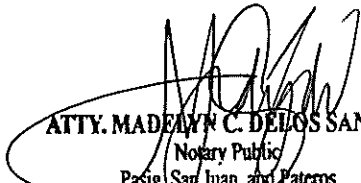
"RESOLVED, FURTHERMORE, that any previous resolution of the Board of Directors on the same subject matter that is inconsistent herewith shall be deemed terminated, superseded and revoked."

WITNESS THE SIGNATURE of the undersigned as such officer of the Company and its corporate seal hereunto affixed on this ____ day of January 2017.


WILLIAM S. PAMINTUAN
Assistant Corporate Secretary

SUBSCRIBED AND SWORN to before me this JAN 30 2017 day of January 2017, affiant exhibited to me his Taxpayer Identification Number (TIN) 146-473-562, issued by the Bureau of Internal Revenue (BIR) as his competent evidence of identity.

Doc. No. 327 ;
Page No. 67 ;
Book No. I ;
Series of 2017.


ATTY. MAELEN C. DELOS SANTOS
Notary Public
Pasig, San Juan, and Pateros
Issued on June 6, 2016 at Pasig City
Appointment No. 146 (2016-2017)
Roll No. 64977/ IBP No. 102734-119117 Laguna Chapter
PTR No. 2682554-1125111 Pasig City
MCLE V-0023958-04/14/19
8th Floor Lopez Bldg. Ortigas Avenue, Pasig City

Malaya Business Insight

People's Independent Media, Inc.

652 Sto. Tomas St.,

Intramuros, Manila

Tel. Nos. 527-1841 * 527-7242

AFFIDAVIT OF PUBLICATION

I, **Mitchell M. Encarnado**, Filipino of legal age, married and residing at No. 1131 Prudencio St., Sampaloc, Manila after having been duly sworn to in accordance with law, depose and say:

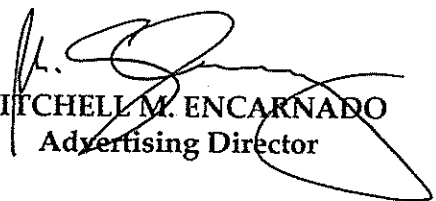
That I am the Advertising Director of Malaya Business Insight, a daily newspaper published, edited and printed in Metro Manila and circulated nationwide, from Monday to Friday with editorial and business offices at 652 Sto. Tomas St., Intramuros, Manila.

That the attached copy of Application from ERC, re:
Manila Electric Company (MERALCO)-Applicant,

was published in Malaya Business Insight in its issue/s

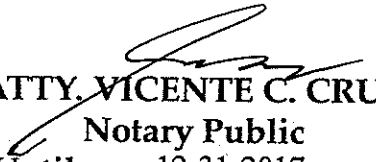
January 31, 2017

In witness whereof, I signed this affidavit in
Manila Philippines, this 31st day of Jan 2017


MITCHELL M. ENCARNADO
Advertising Director

Subscribed and Sworn to before me this 31st day
of Jan 2017, in Mla, Philippines, affiant
exhibiting to me his Res. Cert. No. 03931613
issued at Mla on *1-19-2017

SSS No. 04-0922169-7.


ATTY. VICENTE C. CRUZ

Notary Public

Until 12-31-2017

PTR No. *3802671

Issued at O.C., I-3-2017

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LeBlen Wellness 0922-8418740
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Alvee Group 942-9574
House of Aglaea 0916-5068457

*"The path to optimal gut health is not a one-size-fits-all situation. A more personalized guide is needed."
* Cambridge Nutritional Sciences*



Malaya

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Business Insight

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Food sufficiency	Page A2	Page A2	Page A3	Page 1

IT industry to zero in on challenges

BY IRMA ISIP

THE country's information technology-business services management (IT-BPM) industry which generated \$1.1 billion in revenues last year will "protect what it believed" and work to mitigate the impact of the rig protectionism in US.

Plans to improve workers' skill to put the local IT service a cut above the rest worldwide.

Amigo, president of the Information Technology Business Processing Association of the Philippines (IBPAP) industry, which employs 1.15 million and adds jobs of another 3.7 million will "synchronize the local talent pool with advances in technology, to distinguish the Philippines from competition on global level, upskill and better educate workers.

Objective of all this is to improve our capacity equip the value chain to better wages, benefit the country, and inevitably contribute a greater percentage country's GDP (gross domestic product)," IBPAP

IT-BPM industry, however, shares the concern of national and local governments, industry regulators, and the financial sector, and all other stakeholders regarding the future development of trade policies in the Philippines and the US.

There has been no definitive word about how national trade policies will develop, IBPAP said but industry continues to get queries from investors in the US as well as Japan, New Zealand, Australia, and India.

It is promising for the industry as it confirms that sections of the Accelerate PH Roadmap 2022 are in place and the industry is geared up to solve the challenge, once overcome, will become a reason for global interest in Philippine IT-BPM services and revenue for the country," IBPAP said, confident that if we can collaboratively har-

Healthy forex buffer to assure growth

BY ANGELA CELIS

FINANCE secretary Carlos Dominguez III expects the economy to grow within the lower-end of the government's official target of 6.5 to 7.5 percent for this year.

The robust domestic economy with a healthy foreign exchange (forex) buffer, a strong banking system and a young, educated work force are key to sustain the projected growth, the finance chief said in a statement yesterday.

Dominguez said even global financial shocks, such as rising US interest rates and the possible surge of protectionist policies in certain countries that could affect trade,

See HEALTHY > Page A7

Abad quits AMLC

BY JIMMY CALAPATI

JULIA Bacay-Abad, the executive director of the country's Anti-Money Laundering Council, yesterday resigned from her post effective immediately, citing the need for a new leadership as the main reason.

In a 3-page statement, Bacay-Abad said recent developments that confronted the AMLC and its Secretariat gave her the occasion to realize that the "Secretariat will be

THE PROBLEM WITH GRIDLOCK Traffic now MAP priority concern



THE Management Association of the Philippines (MAP) has cited traffic management as its top priority program this year under its new president Marife Zamora.

Zamora, chairperson of Convergys Philippines is MAP's 68th president and the first to come from the business process outsourcing sector since the organization was established in 1950.

At her induction last week, Zamora other concerns include ease of doing business, entrepreneurship or enterprise development, employment generation, and women empowerment.

Zamora said the first two, traffic management advocacy and ease of doing business, are critical in creating a productive and enabling business environment.

Efforts in enterprise development and employment generation include MAP's Educating Marginalized Entrepreneurs Resource Generation Program that assists the entrepreneurial pool.

See TRAFFIC > Page 1

Car industry tempers sales target to 'protect image'

THE automotive industry has tempered its sales forecast for this year, wanting to deflect the public perception that it is the direct cause of traffic gridlock in the Metro Manila.

The industry feels the need to "protect" its image and at the same time adjust to the unexpected poor fourth quarter sales.

An industry insider said the aim to protect industry's image is meant to address critics about how more sales - about 403,003 units in 2016 of which majority are sold in Metro Manila - contribute to the worsening traffic problem.

THE MATTER OF THE APPLICATION
FOR APPROVAL OF THE STAGGERED
COVERY AND PAYMENT OF
DIFFERENTIAL GENERATION
COSTS FOR THE FEBRUARY 2017
SUPPLY MONTH, WITH PRAYER FOR
PROVISIONAL AUTHORITY.

MANILA ELECTRIC COMPANY
(MERALCO),

Applicant.

ERC CASE NO. _____

APPLICATION

Applicant MANILA ELECTRIC COMPANY ("MERALCO"), by counsel
to this Honorable Commission, respectfully states:

1. 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. 8209, and is authorized to charge all its customers for their electric consumption at the rates approved by this Honorable Commission.
3. This Application is being filed pursuant to the Guidelines for the Automatic Adjustment of Generation Rate and System Loss Rates by Distribution Utilities ("AGRA Rules"), Article VIII, Section 1 thereof provides:
"Section 1. Exception Clause. Where good cause appears, the ERC may allow an exception from any provisions of these Guidelines. If such exception is found to be in the public interest and is not contrary to law or any other related rules and regulations."
4. From 28 January to 16 February 2017, the Shell Philippines Exploration B.V. ("SPEX")-Malampaya Natural Gas Facility is scheduled for maintenance shutdown ("SPEX-Malampaya Outage"), which will affect the supply of natural gas to the Ilijan, Sta. Rita, San Lorenzo, San Gabriel and Avon plants. These power plants supply an aggregate capacity of 3,211 MW to the Luzon Grid, 2,665 MW of which is supplied to MERALCO's franchise area.
5. In addition, the SPEX-Malampaya Outage will coincide with the scheduled maintenance of the power plants of San-Calaica Power Corporation - Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585 MW to meet MERALCO's requirements.
6. To mitigate the impact of these outages on generation costs to be passed through to end-users, MERALCO has undertaken the following measures:
 - 6.1 MERALCO has coordinated with and advised FGP Corp. and First Gas Power Corporation ("FGPC") to run San Lorenzo and Sta. Rita, respectively, on liquid fuel during the SPEX-Malampaya Outage.
 - 6.2 While Ilijan 1 will likewise be on maintenance shutdown, MERALCO has coordinated with South Premiere Power Corp. ("SPPC") for use of bio-diesel for Ilijan 2, so it could continue to make available approximately 420 MW to meet MERALCO's requirements during the SPEX-Malampaya outage.
 - 6.3 MERALCO has made necessary preparations for implementation of its Interruptible Load Program ("ILP") should the Luzon Grid be placed on Red Alert during the SPEX-Malampaya Outage.
 - 6.4 MERALCO has negotiated with Power Suppliers for the supply of its peaking requirements during the SPEX-Malampaya Outage.
 - a. MERALCO has signed an Interim Power Supply Agreement ("IPSA") with Strategic Power Devt. Corp. ("SPDC") for the supply of (i) 100 MW per hour from 0901H to 1000H and 2001H to 2100H and (ii) 150 MW per hour from 1001H to 2000H during the SPEX-Malampaya Outage. The IPSA was implemented starting 28 January 2017.
 - b. MERALCO and Panay Energy Development Corporation ("PEDC") have agreed to increase the Contract Capacity under their Power Supply Agreement ("PSA") dated 28 April 2016 to 70 MW (instead of 28MW) starting 28 January 2017. In an Order dated 11 July 2016, the ERC issued a provisional authority to implement the PSA in ERC Case No. 2016-114 RC.
 - c. MERALCO, Toledo Power Co. ("TPC") and Panay Power Corporation ("PPC") have entered into a Letter Agreement providing that beginning 28 January 2017, TPC and PPC shall provide replacement energy at reduced prices compared to the original ERC-approved tariff under their existing IPSAs. The parties have filed a Joint Manifestation in ERC Case No. 2016-008 RC to inform this Honorable Commission of said agreement.
 - 6.5 MERALCO has proposed mitigating measures and actively participated in coordination meetings with industry stakeholders, including the Department of Energy ("DOE"), this Honorable Commission, National Grid Corporation of the Philippines ("NGCP"), Philippine Electricity Market Corporation ("PEMC") and SPEX.
 - 6.6 MERALCO has likewise written the DOE and this Honorable Commission to advise them of the mitigating measures being undertaken by MERALCO, as well as other proposed mitigating measures that may be pursued by other industry stakeholders. Copies of these letters are attached as Annexes "A" and "B", and made an integral part hereof.

It should be noted, however, that while the use of alternative fuels allows the San Lorenzo, Sta. Rita and Ilijan plants to continue running, liquid fuels are more expensive than Malampaya gas. Thus, while the use of these alternative fuels assures continued supply of power from these plants and mitigates possible impact of the SPEX-Malampaya Outage on Wholesale Electricity Spot

14. The foregoing calculations shall be without prejudice to adjustments that may be necessary as actually reflected in the power bills issued by the power suppliers for the February 2017 supply month.
15. Should the proposed change in the recovery of the generation cost for the billing month of March 2017 be approved, MERALCO is however required, under its power supply contracts, to pay its suppliers in full.
16. To ensure MERALCO's revenue-neutral position with regard to the pass-through of generation costs, MERALCO also proposes to defer payment to such power suppliers of the respective amounts of generation charge owing to them for the February 2017 supply month.
17. It bears emphasis that MERALCO can only pay its power suppliers for the differential generation costs by recovering said costs from its customers. Accordingly, MERALCO proposes to defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing. Additionally, these proposals are without prejudice to any application that may be subsequently filed for the recovery of any appropriate carrying charges.
18. Considering the pressing nature of the instant Application to allow MERALCO to stagger recovery of the incremental fuel costs and the corresponding payment to affected power suppliers, for a period of three (3) months starting from March to May 2017 billings, and therefore avoid any consequential financial prejudice to MERALCO, its suppliers, and most especially, the consumers, it is therefore urgent that a provisional authority be immediately issued upon filing and pending hearing of this Application, in support of this Application and the prayer for provisional authority, attached as Annex "C" and made an integral part hereof is the judicial affidavit of Ryan S. Morales, Officer of Energy Resource Planning, Energy Sourcing Office of MERALCO.

PRAYER

WHEREFORE, it is most respectfully prayed to this Honorable Commission that this Application be APPROVED allowing MERALCO to:

- I. Impose a differential generation charge of PhP0.30 per kWh for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., FGPC and SPPC for the February 2017 supply month; and
- II. defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing.

Pending hearing, it is further prayed that a Provisional Authority ("PA") be immediately issued to MERALCO to implement the foregoing.

Other relief just and equitable under the premises are likewise prayed for.

Pasig City, Metro Manila, 30 January 2017.

MANILA ELECTRIC COMPANY
Applicant

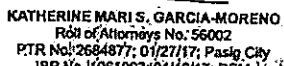
Lopez Building, Ortigas Avenue,
Barangay Ugong, Pasig City

By:


FRANCIS DINO S. ANTONIO
Roll of Attorneys No. 48145

PTR No. 2684877; 01/27/17; Pasig City
IBP No. 1061689; 01/10/17; RSM
MCLE Compliance No. V-0004608; 6 November 2014


GARMEN GRACE S. RAMOS
Roll of Attorneys No. 55945
PTR No. 2684872; 01/27/17; Pasig City
IBP No. 1061090; 01/10/17; RSM
MCLE Compliance No. VI-0000248; 11 July 2016


KATHERINE MARI S. GARCIA-MORENO
Roll of Attorneys No. 56002

PTR No. 2684877; 01/27/17; Pasig City
IBP No. 1061093; 01/10/17; RSM
MCLE Compliance No. VI-0000235; 11 July 2016

7th Floor, Lopez Building,
Ortigas Avenue, Barangay Ugong, Pasig City
Tel no. 1622-2260; Fax No. 1622-3550

REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG) S.S.

VERIFICATION/CERTIFICATION

I, JOSE RONALD V. VALLES, Filipino, of legal age, married, with office address at 7th Floor, Lopez Building, MERALCO Compound, Ortigas Avenue, Brgy. Ugong, Pasig City, after being sworn to in accordance with law, hereby depose and say, THAT:

1. I am the Vice President and Head, Regulatory Affairs Office of Applicant Manila Electric Company (MERALCO);
2. I caused the preparation of this Application and I have read and

A4

Business Insight

Tuesday
Jan. 31, 2017

DOH prepares lesson for OFW insurance

THE Insurance Commission (IC) has developed a sub-mod on Compulsory OFW Insurance that will be incorporated in pre-employment and pre-departure orientation seminars given overseas Filipino workers.

The IC last Friday signed a memorandum of understanding (MoU) with the Overseas Workers Welfare Administration (OWWA) and the Philippine Overseas Employment Administration (POEA) to include the topic on Agency-Hired Compulsory Insurance among the subjects to be tackled at Pre-Employment Orientation Seminar (PEOS) and Pre-Depart Orientation Seminars (PDOS) of OFWs.

The IC will provide OWWA and POEA the sub-module, regularly hold trainings and seminars on compulsory insurance coverage for their employees especially their frontline service personnel.

"As part of the IC's literacy program, a list of Frequently Asked Questions (FAQs) on Compulsory OFW Insurance was created and is already posted in our website," said IC commissioner Ennis Funa, who signed the MoU with OWWA administrator H Leo Cardac and POEA office-in-charge Dominador Say.

"The IC likewise reproduced this in the form of pamphlets that are available in our head office and which will be distributed by the OWWA and POEA," Funa added.

Topics included in the FAQs are coverages and benefits Agency-Hired OFW Compulsory Insurance as well as the process and requirements for filing insurance claims, among others.

"The inclusion of the topic on Compulsory OFW Insurance in the PEOS and PDOS will promote awareness of the OFWs, its beneficiaries and the general public on the coverages and benefits of Agency-Hired OFW Compulsory Insurance," Funa said.

Republic Act No. 10022 was enacted on July 27, 2009 under Section 37-A in Republic Act No. 8042 which requires compulsory insurance coverage for migrant workers deployed by a recruitment or manning agency.

The Compulsory OFW Insurance covers accidental death benefit, natural death benefit, permanent total disability benefit, repatriation cost benefit, subsistence allowance benefits, medical claims benefits, compassionate visit benefit, medical evacuation benefits and medical repatriation benefit, among others.

Energy research school propose

SEN. Sherwin Gatchalian, chairman of the Senate energy committee, is proposing to establish a Philippine Energy Research and Policy Development Institute (PERPDI) in the School of Economics of the University of the Philippines in Diliman to make the industry more responsive to the demands of consumers and stakeholders.

Gatchalian said this will enable the energy industry to stay to-date with the latest technologies.

"The energy sector is naturally characterized by rapidly changing technologies. Unfortunately, most of the country's policies and instruments cannot keep up due to limitations in local research and technical capacity," he said in a statement.

"This bill seeks to address these limitations by establishing institution which will bridge research and policy gaps in pursuit of Philippine energy security, affordability and sustainability," he added.

With scarce databases in universities and research centers focusing on energy, the government has been tapping private foreign-funded institutions and organizations to access easier data for policy discussions, Gatchalian said.

To address this problem, he said Senate Bill 1290 will mandate PERPDI to undertake collaborative energy research and policy development among the academic and stakeholders.

PERPDI will also provide timely technical assistance to government on energy issues needing policy direction and advice as well as create and administer programs intended to build capacity of government agencies, energy stakeholders and academic.

FROM PAGE A1

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(Campi) and the Truck Manufacturers Association (TMA) set the goal this year to 450,000 representing growth of 1 percent compared with 20 percent last year.

According to the committee, the industry could have more in the fourth quarter of 2016 but instead the quarter yielded unsatisfactory results.

Campi/TMA expressed concern it may not be able to reach the desired growth higher than 12 percent.

Normally, the last quarter of the year is the strongest in given quarter but last year, sales grew to about only 20 percent which is in step with the growth of the industry.

"This shows that the buying trend is changing and it will continue to do so this year. This may have a negative effect on the automotive industry in general," the documents show.

Based on the documents, the industry believes growth in 2016 cannot be replicated because almost all manufacturers leased their new main models nearly simultaneously last year.

If ever there will be new model releases, these are sir refreshed/minor change models and will be significant end

public interest and is not contrary to law or any other related rules and regulations."

4. From 28 January to 16 February 2017, the Shell Philippines Exploration B.V. ("SPEX")-Malampaya Natural Gas Facility is scheduled for maintenance shutdown ("SPEX-Malampaya Outage"), which will affect the supply of natural gas to the Ilijan, Sta. Rita, San Lorenzo, San Gabriel and Avon plants. These power plants supply an aggregate capacity of 3,211 MW to the Luzon Grid, 2,565 MW of which is supplied to Meralco's franchise area.

5. In addition, the SPEX-Malampaya Outage will coincide with the scheduled maintenance of the power plants of Sem-Calaca Power Corporation - Unit 1 and Quezon Power (Philippines), Limited, which plants collectively contribute 585 MW to meet Meralco's requirements.

6. To mitigate the impact of these outages on generation costs to be passed through to end-users, Meralco has undertaken the following measures:

6.1 Meralco has coordinated with and advised FGP Corp. and First Gas Power Corporation ("FGPC") to run San Lorenzo and Sta. Rita, respectively, on liquid fuel during the SPEX-Malampaya Outage.

6.2 While Ilijan 1 will likewise be on maintenance shutdown, Meralco has coordinated with South Premier Power Corp. ("SPPC") for use of bio-diesel by Ilijan 2, so it could continue to make available approximately 420 MW to meet Meralco's requirements during the SPEX-Malampaya outage.

6.3 Meralco has made necessary preparations for implementation of its Interruptible Load Program ("ILP") should the Luzon Grid be placed on Red Alert during the SPEX-Malampaya Outage.

6.4 Meralco has negotiated with Power Suppliers for the supply of its peaking requirements during the SPEX-Malampaya Outage.

a. Meralco has signed an Interim Power Supply Agreement ("IPSA") with Strategic Power Devt. Corp. ("SPDC") for the supply of (i) 100 MW per hour from 0801H to 1000H and 2001H to 2100H and (ii) 150 MW per hour from 1001H to 2000H during the SPEX-Malampaya Outage. The IPSA was implemented starting 28 January 2017.

b. Meralco and Panay Energy Development Corporation ("PEDC") have agreed to increase the Contract Capacity under their Power Supply Agreement ("PSA") dated 26 April 2016 to 70 MW (instead of 28MW) starting 28 January 2017. In an Order dated 11 July 2016, the ERC issued a provisional authority to implement the PSA in ERC Case No. 2016-114 RC.

c. Meralco, Toledo Power Co. ("TPC") and Panay Power Corporation ("PPC") have entered into a Letter Agreement providing that beginning 28 January 2017, TPC and PPC shall provide replacement energy at reduced prices compared to the original ERC-approved tariff under their existing IPSAs. The parties have filed a Joint Manifestation in ERC Case No. 2016-009 RC to inform this Honorable Commission of said agreement.

6.5 Meralco has proposed mitigating measures and actively participated in coordination meetings with industry stakeholders, including the Department of Energy ("DOE"), this Honorable Commission, National Grid Corporation of the Philippines ("NGCP"), Philippine Electricity Market Corporation ("PEMC") and SPEX.

6.6 Meralco has likewise written the DOE and this Honorable Commission to advise them of the mitigating measures being undertaken by Meralco, as well as other proposed mitigating measures that may be pursued by other industry stakeholders. Copies of these letters are attached as Annexes "A" and "B", and made an integral part hereof.

7. It should be noted, however, that while the use of alternative fuels allows the San Lorenzo, Sta. Rita and Ilijan plants to continue running, liquid fuels are more expensive than Malampaya gas. Thus, while the use of these alternative fuels assures continued supply of power from these plants and mitigates possible impact of the SPEX-Malampaya Outage on Wholesale Electricity Spot Market ("WESM") prices, it is expected to increase the blended generation rates to Meralco's customers.

8. The incremental fuel costs due to the use of liquid fuel is expected to increase the overall rate of Meralco for the March 2017 billing by about PhP0.9174 per kWh.

9. Under Article III, Section 2 of the AGRA Rules, Meralco is authorized to automatically reflect the full generation cost in its March 2017 billing to its customers, as calculated in accordance with the adjustment formula laid down in Article III, Section 1 of the same Rules.

10. While Meralco is prepared to reflect the true cost of generation in its billing to its customers pertaining to the period of the upcoming SPEX-Malampaya Outage, it is cognizant of the financial burden such rate spike will place on its customers.

11. To mitigate the effect of an abrupt increase in generation cost due to the use of liquid fuel, especially considering that the WESM prices may also increase during this period, Meralco proposes that instead of reflecting the full incremental fuel cost component of the total generation cost in the March 2017 generation charge rate, it be allowed to implement the increase in three (3) billing months starting March until May 2017.

12. This would mean that of the estimated incremental fuel cost of PhP2.4 Billion to be incurred over the period of the SPEX-Malampaya Outage in the February 2017 supply month, only one third (1/3), or around PhP791 Million (approximately PhP0.30 per kWh) will be included in each of the March and April 2017 billing months and the remainder to be included in the May 2017 generation charge rates.

13. With recovery of the incremental fuel costs for the March 2017 billing to customers pegged at PhP0.30 per kWh, the estimated generation charge to be deferred, which corresponds to the incremental fuel costs amounts to PhP0.6174 per kWh.

Order 2017-01 in ERC Case No. 2016-322, entitled, "In the Matter of the Adoption of the Guidelines for the Interim Adjustment of Generation Rates and System Loss Rates by Distribution Utilities."

1. Impose a differential generation charge of PhP0.30 per kWh for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing, subject to adjustments that may be necessary as reflected by the power bills issued by FGP Corp., FGPC and SPPC for the February 2017 supply month; and

2. defer payment to such power suppliers of the respective amounts owing to them for the February 2017 supply month, in accordance with the proposed recovery from customers of the differential generation costs at the rate of PhP0.30 per kWh, for each of the March and April 2017 billings, with the remaining balance of incremental fuel costs to be charged in the May 2017 billing.

Pending hearing, it is further prayed that a Provisional Authority ("PA") be immediately issued to Meralco to implement the foregoing.

Other relief just and equitable under the premises are likewise prayed for.

Pasig City, Metro Manila, 30 January 2017.

MANILA ELECTRIC COMPANY

Applicant

Lopez Building, Ortigas Avenue,
Barangay Ugong, Pasig City

By:



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MCLE Compliance No. V-0004608; 6 November 2014

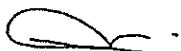


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MCLE Compliance No. VI-0000246; 11 July 2016



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REPUBLIC OF THE PHILIPPINES)
CITY OF PASIG)S.S.

VERIFICATION/CERTIFICATION

I, JOSE RONALD V. VALLES, Filipino, of legal age, married, with office address at 7th Floor, Lopez Building, Meralco Compound, Ortigas Avenue, Brgy. Ugong, Pasig City, after being sworn to in accordance with law, hereby depose and say, THAT:

1. I am the Vice President and Head, Regulatory Affairs Office of Applicant Manila Electric Company (MERALCO);

2. I caused the preparation of this Application and I have read and understood the allegations contained therein; and all the facts stated therein are true and correct based on authentic records made available to me in the ordinary course of business of Meralco;

3. I am duly authorized by the Board of Directors to certify that Meralco has not heretofore commenced any other action or proceeding involving the same issues in the Supreme Court, the Court of Appeals, or any other tribunal or agency. A copy of the Secretary's Certificate authorizing me to cause the preparation of the instant Application and to sign this verification and certification is attached as Annex "D" and made an integral part hereof;

4. To the best of my knowledge, no other related action or proceeding is pending in the Supreme Court, the Court of Appeals, or any other tribunal or agency;

5. If I should hereafter learn that any similar action or proceeding is filed or pending before the Supreme Court, the Court of Appeals, or any other tribunal or agency, I undertake to report such fact within five (5) days thereafter to this Honorable Commission.

IN WITNESS WHEREOF, I have hereunto affixed my signature this 30th day of January 2017, at Pasig City, Philippines.



JOSE RONALD V. VALLES

Affiant

SUBSCRIBED and SWORN to before me this 30th day of January 2017, affiant exhibited to me his Social Security System ID bearing the number 33-10990088.

Doc. No. 524;
Page No. 106;
Book No. VIII;
Series of 2017.


ATTEST: I, _____, Notary Public for the Philippines, do hereby certify that the foregoing is a true and correct copy of the original as shown to me by the affiant, JOSE RONALD V. VALLES, on this 30th day of January 2017, at Pasig City, Philippines.

Malaya - Jan. 31, 2017

Agency-Hired OFW Compulsory Insurance as well as the

ess and requirements for filing insurance claims, among

"The inclusion of the topic on Compulsory OFW Insur

the PEOS and PDOS will promote awareness of the OFW

beneficiaries and the general public on the coverages and I

of Agency-Hired OFW Compulsory Insurance," Funa said

Republic Act No. 10022 was enacted on July 27, 2009 in

Section 37-A in Republic Act No. 8042 which requires com

insurance coverage for migrant workers deployed by a

ment or manning agency.

The Compulsory OFW Insurance covers accidental des

cit, natural death benefit, permanent total disablement b

reparation cost benefit, subsistence allowance benefits,

claims benefits, compassionate visit benefit, medical eva

benefits and medical reparation benefit, among others.