

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE
ELECTRIC POWER
PURCHASE AGREEMENT
FOR EMERGENCY POWER
SUPPLY BETWEEN THE
CENTRAL NEGROS
ELECTRIC COOPERATIVE
AND PALM CONCEPCION
POWER CORPORATION,
WITH PRAYER FOR
CONFIDENTIAL
TREATMENT OF
INFORMATION

ERC CASE NO. 2023-055 RC

CENTRAL NEGROS
ELECTRIC COOPERATIVE,
INC. AND PALM
CONCEPCION POWER
CORPORATION,

Promulgated:
June 19, 2023

Joint Applicants.

X-----X

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES

Notice is hereby given that on 05 June 2023, Central Negros Electric Cooperative (CENECO) and Palm Concepcion Power Corporation (PCPC), filed a Joint Application dated 05 October 2022, seeking the Commission's approval of the Electric Power Purchase Agreement for Emergency Power Supply between the Central Negros Electric Cooperative and Palm Concepcion Power Corporation, with prayer for confidential treatment of information.

The pertinent allegations of the Joint Application are hereunder quoted as follows:

Parties to the Case

1. Applicant CENECO is an electric cooperative duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office address at Corner Gonzaga - Mabini Streets, Brgy. 26, Bacolod City, Negros Occidental 6100 Philippines. It has been granted an exclusive franchise by the National Electrification Administration (NEA) to distribute electric service in the Cities of Bacolod, Silay, Talisay, Bago and the municipalities of Murcia and Don Salvador Benedicto, all in the province of Negros Occidental.

2. Applicant PCPC is a domestic corporation duly organized and existing under the laws of the Republic of the Philippines with principal office address at Brgy. Nipa, Municipality of Concepcion, Province of Iloilo. PCPC is the owner and operator of the 135 MW (initial) clean coal-fired power plant (the "Power Plant"), located at Brgy. Nipa, Municipality of Concepcion, Province of Iloilo. The Power Plant commenced commercial operations last August 2016.

Nature of the Application

3. Pursuant to Rule 20 (B) of the Energy Regulatory Commission's 2006 Rules of Practice and Procedure (the "ERC Rules"), Department of Energy (DOE) Department Circular DC 2018-02-003 as amended by DOE DC2021-09-0030 and other pertinent rules and regulations, this Joint Application is being submitted to this Honorable Commission for the approval of the Electric Power Purchase Agreement for Emergency Power Supply ("EPPA for Emergency Power Supply") entered into by and between Joint Applicants CENECO and PCPC.

CENECO DEMAND-SUPPLY SITUATION

4. When CENECO decided to contract for a 20MW emergency power supply, the franchise area of CENECO had a forecasted coincident peak power demand of 148 MW for June 2022, of which 80 MW was base load demand. At that time, the contracted base load power supply of CENECO was 80MW, 19MW was contracted for intermediate demand and 18.9MW was contracted for peaking and reserve. The matrix of the power supply contracts of Applicant CENECO is attached to this Application. These data are consistent with the Distribution Development Plan and demand supply situation of CENECO which are annexes herof.

5. At that time, the following events transpired which resulted in uncertainties in the contracted supply of electricity of CENECO:

- i. Anticipated needed time allowance for a Second Competitive Selection Process (CSP) for 20MW for 2023;
- ii. The delay in the first CSP for 20MW baseload supply, and
- iii. The ongoing threat of termination of the extended PSAs with KSPC.

6. Intervening events occurred as KSPC demanded for payment for alleged default. Based on this, KSPC communicated an immediate pre-termination of its 44MW extended PSAs last April 8, 2022. Stated otherwise, the extended PSAs with KSPC were pre-terminated before their intended expiration.

7. This situation was further aggravated by the eventual failure of the first CSP bidding by CENECO for 20MW base load supply last June 2022.

8. As can be seen in the updated Power Supply Procurement Plan (PSPP) of CENECO which is attached as an Annex hereto, the cooperative currently has an uncontracted base load demand of 33MW. A big portion of this uncontracted base load demand was caused by the aforementioned pre-termination by the KSPC of its 20MW power supply contract with CENECO. Due to this sudden pre-termination, CENECO was left with no choice but to secure an emergency power supply contract in order to avoid exposure to potential price volatility in the spot market and to secure reliable and affordable power supply for its consumers.

9. 20MW of the base load requirement of CENECO is what is sought to be supplied under an Emergency Power Supply Contract. CENECO seeks to immediately source 20MW from PCPC under the EPPA for Emergency Power in order to reduce its uncontracted base load demand.

Details on the Procurement Process undertaken by Applicant CENECO

10. On January 25, 2022, CENECO management recommended to its Board of Directors that CENECO procure a 20MW emergency power supply contract under the requirements of Department of Energy (DOE) Department Circular DC 2018-02-003 as amended by DOE DC2021-09-0030. On the same day, the Board of Directors of CENECO approved the recommendation to procure 20MW of power supply under an emergency power supply contract.

11. Pursuant to the Board approval on the "recommendation to procure 20MW of power supply under an emergency power supply contract", CENECO sent letters to the following generation companies: 1) Wholesale Sales Aboitiz Power Corp.; 2) SN Aboitiz Power-Magat, Inc.; 3) FDC Misamis Corporation; 4) Team Energy Corporation; 5) South Negros Biopower, Inc.; 6) SMC Global Power Holdings Corp; 7) GNPower Dinginin Ltd. Co; 8) Panay Energy Development Corporation (PEDC); 9) Green Core Geothermal Inc.; 10) Pal Concepcion Power Corporation (PCPC); asking them to submit offers to CENECO for a 20MW emergency power supply contract under the requirements of Department of Energy (DOE) Department Circular DC 2018-02-003 as amended by DOE DC2021-09-0030.

12. Only three generation companies submitted offers pursuant to the invitation of CENECO: 1) GNPower Dinginin Ltd. Co.; 2) PEDC; 3) PCPC.

13. The management of Applicant CENECO performed the necessary and required due diligence evaluation on the offers submitted by the foregoing generation companies and determined that the offer submitted by PCPC would provide the least cost power supply for its consumers.

14. Applicant PCPC submitted an offer to CENECO of P4.5971/kWh (VAT exclusive) for a one year 20MW emergency power supply contract, subject to adjustments for fuel costs. [sic]

15. Applicant CENECO further determined that it would be better to source its emergency power requirements from the PCPC Power Plant as it is located in Panay Island and the power that it will supply to CENECO need not pass through the Cebu-Negros NGCP submarine cables which currently have reduced capacity due to damage, thus improving the reliability and security of its power supply.

16. Applicant CENECO considered the need to immediately reduce the uncontracted portion of the base load power supply requirements of the consumers in its franchise area by sourcing a portion of such uncontracted requirements from a power plant preferably in Panay in order to stabilize the reliability and security of the supply of power to its franchise area.

17. Thereafter, upon the recommendations of CENECO Management, the Board of Directors of Applicant CENECO approved the award of the one year 20MW emergency power supply contract to Applicant PCPC and instructed CENECO Management to coordinate and process the regulatory requirements for the emergency power supply contract with PCPC.

18. Given the foregoing determinations, Applicant CENECO started collaborating for the execution of an Emergency Power Supply Agreement with PCPC, to ensure the security, affordability and reliability of its supply of base load power to meet the demand of the consumers in its franchise area and to minimize potential exposure to spot market price volatility.

19. Thereafter, in a letter dated 13 May 2022, CENECO wrote the DOE requesting for an exemption from Competitive Selection Process ("CSP") requirement of the DOE for its EPPA for Emergency Power Supply with PCPC in accordance with DOE DC 2018-02-003 as amended by DOE DC2021-09-0030.

20. The Letter Request of CENECO also stated that the timely issuance of the requested Certificate of Exemption is extremely vital in order for CENECO to fulfill its mandate of providing continuous, uninterrupted, and reasonably priced electric service to the consumers in its franchise area.

21. On 29 June 2022, the DOE issued a Certificate of Exemption (COE-CSP-2022-06-019), exempting CENECO from conduct of a CSP and allowing CENECO to proceed with the EPPA for Emergency Power Supply with PCPC for a Contracted Capacity of 20MW, for a period not exceeding one year or until May 2023. The COE was received by CENECO on July 1, 2022.

22. In view of DOE's issuance of the Certificate of Exemption, PCPC and CENECO commenced delivery and acceptance of the Contracted Capacity and Energy under the EPPA for Emergency Power Supply on July 6, 2022.

23. In a letter to the DOE dated July 18, 2022, CENECO requested for an amendment of the period of effectivity of COE-CSP-2022-06-019 to 5 July 2022 to 5 July 2023. CENECO made this request due to the fact that the Joint Applicants had not made any deliveries of electricity under the EPPA for Emergency Power while they were still waiting for the issuance of the COE by the DOE and if they were to follow the period of effectivity in the COE, the term of the EPPA for Emergency Power Supply would be less than the one (1) year period allowed under DOE DC 2018-02-03 and originally requested by the Joint Applicants.

24. On 06 Oct. 2022, the DOE granted the request of CENECO and issued Amended Certification with No. COE-CSP-2022-09-044 which amended COE-CSP-2022-06-019 by amending the period of effectivity of the EPPA for Emergency Power between Joint Applicants CENECO and PCPC to 6 July 2022 to 5 July 2023.

25. Hence, this instant Joint Application for the approval of the EPPA for Emergency Power Supply between CENECO and PCPC.

IMPACT OF EPPA FOR EMERGENCY POWER SUPPLY ON CENECO GENERATION COSTS

26. Based on the result of the rate simulation on the impact of the EPPA for Emergency Power Supply with PCPC on the generation costs of CENECO based on the first billing month, there was an adjustment of P4.1608 per kWh on the generation costs of CENECO as billed to its consumers for the said period as compared if the same power was sourced from WESM. However, the execution of EPPA for Emergency Power Supply with PCPC reduced the uncontracted demand of CENECO for its base load requirements. This will in effect protect the consumers as it will limit the exposure of the base load power supply requirements of CENECO from the volatility of market prices. Moreover, considering that PCPC Plant is located in Panay Island, its supply would not be affected by the current congestion caused by the damaged submarine cable in Cebu-Negros area nor will there be adverse impact on the line rental charges to CENECO.

27. Joint Applicants respectfully attach the following documents to this Application in support of this Application and in compliance with the Rules of the Honorable Commission on the approval of Power Supply Contracts:

Description of Document	Annex
CENECO Certificates of Franchise	A
CENECO Articles of Incorporation	A-1
CENECO By-Laws	A-2
Notarized Certification of Board Sec of the current BODs of CENECO	B
DDP - CENECO 2022	C
CENECO Supply Demand Scenario - 1 Yr Projection of Power Supply Scenario	C-1
CENECO Matrix of Current Power Supply Agreement or PSA	C-2
CENECO PSPP	C-3
Proof of Submission of DDP and PSPP	C-4
CENECO FORECASTED PEAK DEMAND LOAD CURVE	C-5
CENECO Load Curve TABLES 1, 2, 3.	C-6
Certification that CENECO does not have any TSC and CSEE and Demand Side Management Programs	D
Reply Letter of PSALM to CENECO dated 11 March 2022	D-1
Letter solicitation PEDC	E
Letter solicitation.Aboitiz-Power-Corp	E-1
Letter solicitation.BIOPOWER	E-2
Letter solicitation.FDC	E-3
Letter solicitation.GNPower	E-4
Letter solicitation.PCPC	E-5
Letter solicitation.SMC	E-6
Letter solicitation.SN-Aboitiz	E-7
Letter solicitation.Team-Energy	E-8
Letter Solicitation GCGI	E-9
Letter offer of PCPC	F
Letter offer of PEDC CONFIDENTIAL	F-1
Letter offer of GN Power CONFIDENTIAL	F-2
CENECO evaluation of offers CONFIDENTIAL	G
CENECO Sworn Certification on Conduct of Due Diligence CONFIDENTIAL	H
EPPA for Emergency Power Supply between CENECO - PCPC	I
PCPC Letter of Confirmation to CENECO 20MW Emergency Power Supply	I-1
CENECO Letter Requesting for COE	J
DOE Letter Reply	K
Certificate of Exemption	K-1
CENECO request for Amendment of COE	L
DOE Amended COE for CENECO PCPC	L-1
Rate Impact Simulation	M
CENECO Statement on Potential Ancillary Services Costs	M-1
Explanation why CENECO engaged an EPSA with PCPC	M-2
PCPC COI and AOI	N & O
PCPC By-Laws	O-1
Certificate of Filing of the Amended AOI of PCPC	O-2
Amended AOI of PCPC	O-3
PCPC GIS 2022	P
PCPC_AFS CY2021_Red by BIR_SEC	Q
PCPC AFS for the years 2013 to 2017	Q-1 to Q-5
PCPC BOI 2012-114 with annotation 135 mw oct 2 2012	R
PCPC Amended ECC	S & S-1
PCPC - ERC - PAO 2021 with request for extension	T
DOE CERTIFICATION for PCPC	U
Relevant Technical Characteristics of the Power Plant	V
Decision of the Honorable Commission in ERC Case No. 2014-108RC page 21, par. E.2.1.5 which shows Net Dependable Capacity	V-1
updated statement on associated transmission projects of PCPC	W
NGCP- PCPC, TRANSMISSION SERVICE AGREEMENT	X
Connection agreement PCPC NGCP	Y
Letter from NGCP re extension of PCPC connection agreement	Y-1
NGCP- PCPC METERING SERVICE AGREEMENT	Z
EXECUTIVE SUMMARY AND ABSTRACT OF THE EPPA for CENECO Emergency EPPA with Rates	AA
Summary of Project Costs PCPC	BB
Cost of Fund Sources PCPC	BB-1
Cash Flow summary PCPC for Emergency EPPA with CENECO	BB-2
BDO certification	BB-3
Basis of Power Rates PCPC Emergency EPPA with CENECO	BB-4
PCPC Financial Model original tariff (excel file)	BB-5
Updated Financial Model	BB-6
EPC Contract	BB-7
Original Loan Amortization Schedules with AUB, BDO and Chinabank	BB-8 to BB-10
Updated Loan Amortization Schedule	BB-11
Write Up on PCPC rate for CENECO emergency supply	BB-12
Sworn Statement on the Fuel Procurement Process of Applicant PCPC	CC
Explanation on other requirements PCPC	DD
NLSC HEATRATE CERTIFICATION for PCPC	EE
Updated Heat Rate Test Results of PCPC	EE-1
Proofs of Service of Application to LGU Offices	FF and series
Local Publication of Application Affidavit of Publication	GG
PCPC Sec Cert re CENECO emergency EPPA	HH
CENECO BR 13276 Availment of 20MW	II
CENECO BR 13237 Availment of 20MW	II-1
CENECO BR 13158 Legal Service of Atty. Rodriguez-Viceral	II-2
CENECO Single-Line-Diagram	JJ
CENECO SAIFI FOR YEARS 2018-2022	KK

CENECO potential demand reduction due to ROCA	LL
CENECO TERMS OF REFERENCE 20MW emergency power	MM
WRITE-UP ON CENECO EXEMPTION FROM CSP	NN
CENECO WRITE-UP on no inconsistencies and no notice of award	OO
WESM Registration of PCPC	PP [sic]

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

28. The offers received by CENECO from the other generation companies (other than Joint Applicant PCPC) may contain the trade secrets of such other generation companies as it contains information on their business practices and financial models/assumptions on the offered tariffs for their power plants which they may not wish to be divulged as such may be disadvantageous to them especially in the current mandatory CSP regime in the procurement of power supply by distribution utilities.

29. Due to this, Joint Applicant CENECO respectfully requests that all confidential information of the other generation companies contained in Annexes "F-1," "F-2," "G" and "H" which may contain certain non-public information, data and calculations involving business operations and financial trade secrets and business calculations of the other generation companies that submitted offers to CENECO, be treated as confidential documents.

30. Under Rule 4 of the ERC Rules, the Honorable Commission may, upon request of a party and the determination of the existence of conditions which would warrant such remedy, treat certain information submitted to it as confidential. Pursuant to such provision, Joint Applicant CENECO respectfully requests for the issuance of a protective order declaring the foregoing information, data and calculations contained in Annexes "F-1," "F-2," "G" and "H" as confidential information.

31. Further, in accordance with Section 1(b), Rule 4 of the ERC Rules, Joint Applicants hereby submit one (1) copy of Annexes "F-1," "F-2," "G" and "H" in a sealed envelope, with the envelope and each page of the document stamped with the word "Confidential".

PRAYER

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

(i) An Order be issued treating Annexes "F-1," "F-2," "G" and "H" of the instant Application, as confidential documents and the information contained therein as confidential and directing its non-disclosure pursuant to Rule 4, Section 1 of the ERC Rules of Practice and Procedure and prescribing the guidelines for the protection thereof; and;

(ii) After full proceedings on the merits, issue a Decision APPROVING the terms of the Electric Power Purchase Agreement for Emergency Power Supply between Joint Applicants PCPC and CENECO, thereby authorizing PCPC to charge and collect from CENECO the Electricity Fees as stated therein and authorizing CENECO to pass the full amount thereof to its consumers.

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

The Commission hereby sets the instant Joint Application for determination of compliance with the jurisdictional requirements, expository presentation, pre-trial conference, and presentation of evidence on the following dates and online platforms for the conduct thereof pursuant to Resolution No. 09, Series of 2020 and Resolution No. 01, Series of 2021 (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
31 July 2023 (Monday) at two o'clock in the afternoon (2:00 PM)	Microsoft Teams or Zoom Application	Determination of compliance with jurisdictional requirements and expository presentation
07 August 2023 (Monday) at two o'clock in the afternoon (2:00 PM)		Pre-Trial Conference and Presentation of Evidence

Applicants CENECO and PCPC were directed to host the virtual hearings at CENECO's principal office located at Corner Gonzaga - Mabini Streets, Brgy. 26, Bacolod City, Negros Occidental, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Applicants shall also guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

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

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

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

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

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

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

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

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

WITNESS, the Honorable Commissioners ALEXIS M. LUMBATAN, CATHERINE P. MACEDA, FLORESINDA G. BALDO-DIGAL, and MARKO ROMEO L. FUENTES, Energy Regulatory Commission, this 19th day of June 2023 in Pasig City.

Medimalanta
MONALISA C. DIMALANTA
Chairperson and CEO



LS: EDR/JGGW/MCCG

1 A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Under the Energy Regulatory Commission.
2 A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.