

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

**IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE POWER SUPPLY AGREEMENT (PSA) BETWEEN SAN FERNANDO ELECTRIC LIGHT AND POWER COMPANY, INC. (SFELAPCO) AND MASINLOC POWER PARTNERS CO. LTD. (MPPCL), WITH PRAYER FOR PROVISIONAL AUTHORITY AND/OR INTERIM RELIEF AND CONFIDENTIAL TREATMENT**

ERC CASE NO. 2024-003 RC

**SAN FERNANDO ELECTRIC LIGHT AND POWER COMPANY INC. (SFELAPCO) AND MASINLOC POWER PARTNERS CO. LTD. (MPPCL),**

Promulgated:  
January 15, 2024

Applicants.

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**NOTICE OF VIRTUAL HEARING**

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 January 2024, San Fernando Electric Light and Power Company Inc. (SFELAPCO) and Masinloc Power Partners Co. Ltd. (MPPCL) filed a *Joint Application*, dated 10 November 2023, seeking the Commission's approval of their Power Supply Agreement (PSA), with prayer for provisional authority and/or interim relief, and confidential treatment.

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

**The Parties**

1. SFELAPCO is a private corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at Limjoco Street, Barangay Lourdes, San Fernando City, Pampanga. SFELAPCO is the exclusive holder of a franchise issued by the Congress of the Philippines to operate an electric light and power services in the City of San Fernando, the Municipality of Floridablanca and Barangays Talang and Ligaya in the Municipality of Guagua, all in the Province of Pampanga.

2. MPPCL is a limited partnership organized and existing under the Philippine laws, with business address at Masinloc Coal-Fired Thermal Power Plant, Barangay Bani, Masinloc, Zambales.

3. The Joint Applicants may be served with notices, orders, and processes of the Honorable Commission through their respective counsels at the address indicated below.

**Nature of Application**

The Joint Application for approval of the PSA entered into by and between SFELAPCO and MPPCL dated June 14, 2023, is being submitted to the Honorable Commission for its review and approval pursuant to Sections 25<sup>1</sup> and 45(b)<sup>2</sup> of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA"), Rules 5, Section 4(e)<sup>3</sup> and 11, Section 5<sup>4</sup> of its Implementing Rules and Regulations (IRR), Rule 20(B) of its Rules of Practice and Procedure, and other pertinent rules and regulations.

**Statement of Facts**

4. SFELAPCO's previous power supply contract expired on 25 December 2022. Prior to the expiration of the said power supply agreement, SFELAPCO conducted its Competitive Selection Process ("CSP") with the objective of securing the electricity cost most advantageous and beneficial to the cooperative and its consumers, as will be discussed below.

5. SFELAPCO was still in the process of completing its CSP when the said contract ended on 25 December 2022. To avoid the exposure in the WESM Spot Price, SFELAPCO applied for an Emergency Power Supply Agreement ("EPSA") to the DOE, which was eventually granted for a non-extendible period of six months.

6. Pursuant to Section 2.2.2 of the DOE CSP Circular, SFELAPCO and GNP Power Dinginin Ltd. Co. ("GNPD") executed the EPSA for a period of six (6) months, from 25 December 2022 until 25 June 2023. The EPSA was submitted for approval of the Honorable Commission.

7. On March 17 and 24, 2023, SFELAPCO caused the publication in a newspaper of general circulation an Invitation to Bid for the supply of 70-130 Megawatts of baseload and intermediate power requirement through CSP.

8. There were four (4) participating bidders as follows:

	Bidders
1	AC Energy Corporation ("ACEN")
2	MPPCL
3	GNPD
4	Aboitiz Solar Power, Inc. ("ASPI")

9. The preliminary result of the post evaluation revealed three (3) remaining qualified bidders:

1	MPPCL
2	GNPD
3	ASPI

10. Further analyses of all the bid proposals submitted for the intermediate power requirements showed that two (2) bidders were made to determine the required Levelized Cost of Electricity ("LCOE"). The results of the calculations are as follows:

	Bidders	Result of Calculation LCOE (PhP/kWh)
1	MPPCL	4.1820
2	ASPI	6.5007

11. Thereafter, a post-qualification was conducted to determine if the bidder that is evaluated to have the highest point based on a point system complies with and is responsive to all the requirements and conditions for eligibility and the bidding. Based on the foregoing process and analyses, and after additional clarifications, the TPBAC and TWG-TPBAC determined that MPPCL has the lowest bid that is most advantageous and beneficial to both SFELAPCO and its consumers.

12. On May 11, 2023, SFELAPCO's TPBAC and TWG-TPBAC recommended the confirmation of the Board that MPPCL MPCL has the LCOE for the supply of the 15-40 MW Intermediate power requirement for SFELAPCO.

13. On May 11, 2023, SFELAPCO's Board issued a Resolution approving the joint recommendation of the TPBAC and TWG-TPBAC and confirming MPPCL to have the lowest bid.

14. Thus, on May 11, 2023 SFELAPCO awarded to MPPCL the contract to supply the 15-40 MW intermediate power requirement through a Notice of Award. Consequently, SFELAPCO and MPPCL executed the PSA dated 14 June 2023.

**Salient Features of the PSA**

15. The salient features of the PSA are outlined below:

15.1. Contract Capacity. The Contracted Capacity for the duration of the PSA shall be 15-40 MW Intermediate power supply.

15.2. Contract Term. The PSA shall take effect between the Parties on the date of signing (Execution Date) and shall remain effective for a period of twenty (20) years or two hundred forty (240) Billing Periods.

15.3. Energy Fees. Under the PSA, SFELAPCO shall pay the following to MPPCL:

CONVENTIONAL ENERGY SUPPLY			
ENERGY FEES	UNIT	AMOUNT	
A Capital Recovery Fee (CRF)	PhP/kWh	3.2000	
B Fixed Operation & Maintenance (FOM) Fee	PhP/kWh	0.5000	
C Variable Operation & Maintenance (VOM) Fee	PhP/kWh	0.1000	
D Fuel Fee (FF)	PhP/kWh	4.8170	
	PhP/kWh	4.1818	

RENEWABLE ENERGY SUPPLY			
ENERGY FEES	UNIT	AMOUNT	
Fixed Fee	PhP/kWh	6.2500	

15.4. Energy Charges and Adjustment Formula. The Energy Fees are subject to monthly adjustments based on the following formula and indices (Annex II-B of the PSA):

**MONTHLY CONTRACT CHARGES = Energy Charges<sub>month</sub> + Other Charges**

where:

**Energy Charges<sub>month</sub> = Conventional Charges + Renewable Charges**

**Other Charges = as defined in Article 8**

**I. Conventional Charges = Capital Recovery Fee (CRF<sub>month</sub>) + Fixed Operation & Maintenance Fee (FOM<sub>month</sub>) + Variable Operation & Maintenance Fee (VOM<sub>month</sub>) + Fuel Fee (Fuel<sub>month</sub>)**

**A. CAPITAL RECOVERY FEE (CRF<sub>month</sub>)**

**CRF<sub>month</sub> = CRF x AE<sub>c</sub>**

where:

CRF = Capital Recovery Fee in PhP/kWh contained in Annex II-A

AE<sub>c</sub> = Associated Energy in kWh delivered to the BUYER by the SELLER for the conventional energy supply

**B. FIXED OPERATION AND MAINTENANCE FEE (FOM<sub>month</sub>)**

**FOM<sub>month</sub> = FOM x AE<sub>c</sub>**

where:

FOM = Fixed Operation and Maintenance Fee in PhP/kWh contained in Annex II-A

AE<sub>c</sub> = as previously defined

**C. VARIABLE OPERATION AND MAINTENANCE FEE (VOM<sub>month</sub>)**

**VOM<sub>month</sub> = VOM x AE<sub>c</sub>**

where:

VOM = Variable Operation and Maintenance Fee in PhP/kWh contained in Annex II-A

AE<sub>c</sub> = as previously defined

**D. FUEL FEE (Fuel<sub>month</sub>)**

**Fuel<sub>month</sub> = (FF1<sub>Adj</sub> x 50% + FF2<sub>Adj</sub> x 50%) x AE**

**FF1<sub>Adj</sub> = { FF1<sub>B</sub> x (A1 x  $\frac{NEWC_c}{NEWC_B} \times \frac{FX_c}{FX_B}$ ) + B1 }**

**FF2<sub>Adj</sub> = { FF2<sub>B</sub> x (A2 x  $\frac{IC14_c}{IC14_B} \times \frac{FX_c}{FX_B}$ ) + B2 }**

where:

FF1<sub>Adj</sub> = Adjusted Fuel Fee 1

FF1<sub>B</sub> = Base Fuel Fee 1 in PhP/kWh contained in Annex II-A

A1 = Percentage of the FF1<sub>B</sub>, set at 72.0926%, that may be adjusted downward or upward depending on movement of NEWC index.

NEWC<sub>c</sub> = Average monthly NEWC price index in USD/MT as posted for the last three (3) calendar months prior to the current Billing Period.

NEWC<sub>B</sub> = Base NEWC price index set at USD180.00/MT

FX<sub>c</sub> = The average daily exchange rate of the Philippine Peso to the US Dollar as posted by the Bangko Sentral ng Pilipinas for the last three (3) calendar months prior to the current Billing Period.

FX<sub>B</sub> = Base Foreign Exchange rate of the Philippine Peso to the US Dollar set at PhP55.000/USD

B1 = Percentage of the FF1<sub>B</sub>, set at 27.9074%, that shall remain fixed throughout the duration of the Agreement

FF2<sub>Adj</sub> = Adjusted Fuel Fee 2

FF2<sub>B</sub> = Base Fuel Fee 2 in PhP/kWh contained in Annex II-A

A2 = Percentage of the FF2<sub>B</sub>, set at 68.5757%, that may be adjusted downward or upward depending on movement of IC14 index.

IC14<sub>c</sub> = Average monthly IC14 price index in USD/MT as posted for the last three (3) calendar months prior to the current Billing Period.

IC1<sub>B</sub> = Base IC14 price index set at USD74.00/MT

FX<sub>c</sub> = as previously defined

FX<sub>B</sub> = as previously defined  
B2 = Percentage of the FF2<sub>B</sub>, set at 31.4243%, that shall remain fixed throughout the duration of the Agreement  
AE<sub>c</sub> = as previously defined

**Renewable Charges = Fixed Fee x AE<sub>r</sub>**

where:

Fixed Fee = Fixed Fee in PhP/kWh contained in Annex II-A

AE<sub>r</sub> = Associated Energy in kWh delivered to the BUYER by the SELLER for renewable energy supply

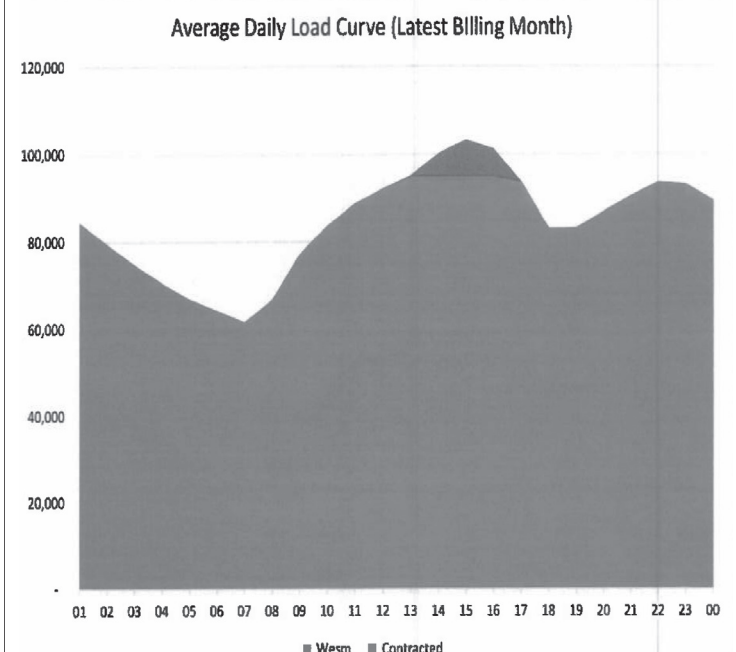
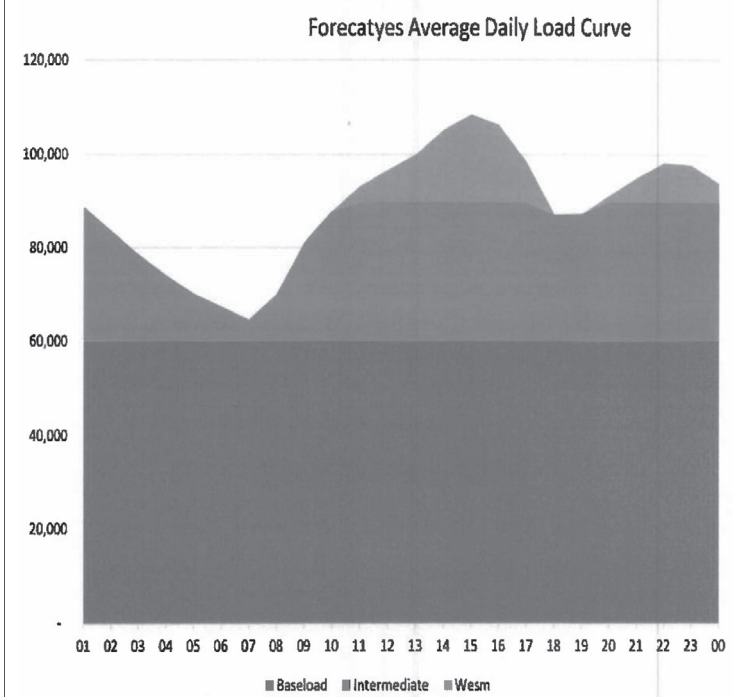
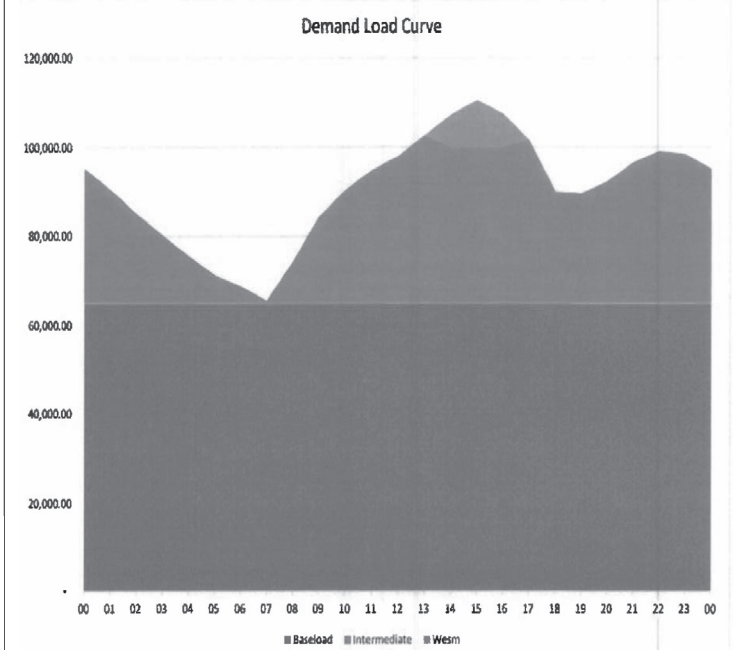
15.5. Line Rental. Line Rental Charges as billed by IEMOP to the Buyer shall be for the account of the Seller.

15.6. Other Charges. The Buyer shall bear all other costs and charges incurred after the Delivery Point, including but not limited to transmission line losses, any interconnection charges and site-specific loss adjustments, among others.

15.7. Discounts. The Seller provides Prompt Payment Discount (PPD) equivalent to PhP0.1650/kWh applied to the Buyer's Associated Energy for the Billing Period, subject to the conditions provided in Article 9.1 of the PSA.

15.8. Outages. During outages within the Annual Outage Allowance, Seller shall not be required to supply Buyer with Contract Capacity and Associated Energy. In such circumstances, Buyer at its own cost, shall source the Replacement Power. The Seller may have the option to offer replacement power during the outage allowance as may be required by the Buyer, and such Replacement Power may come from the mix of conventional or RE plant/s, or portfolio of plants or any other source including the WESM and shall be charged at the Contract Charges.

16. SFELAPCO's Supply and Demand Scenario (Yearly) and Average Daily [L]oad Curve are as follows:



<sup>1</sup> SEC-25, Retail Rate. - The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC.

<sup>2</sup> Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC. xxx xxx xxx.

<sup>3</sup> Prior to the implementation of Open Access and Retail Competition, the prices charged by a Generation Company for the Supply of Electricity shall be subject to ERC regulation on the Retail Rates charged by Distribution Utilities and transition supply contracts (TSCs) as specified in Section 67 of the Act.

<sup>4</sup> Limits on Bilateral Supply Contracts by a Distribution Utility.