

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

IN THE MATTER OF THE APPLICATION FOR APPROVAL OF THE INTERRUPTIBLE LOAD AGREEMENT WITH SPECIAL WHOLESAL POWER CUSTOMERS WITHIN THE FRANCHISE AREA, with PRAYER FOR PROVISIONAL AUTHORITY.

E.R.C. CASE NO. 2009-12RC

VISAYAN ELECTRIC COMPANY, INC.  
(VECO),

Applicant.

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**APPLICATION**

**VISAYAN ELECTRIC COMPANY, INC.** (“VECO,” for brevity), by counsel and unto this Honorable Commission, respectfully states:

1. VECO is an electric distribution utility, organized and existing under and by virtue of the laws of the Republic of the Philippines, with postal address at the VECO Compound, J. Panis Street, Banilad, Cebu City. It is duly enfranchised under Republic Act No. 9339 to engage in the distribution of electric energy in the Cities of Cebu, Mandaue, Talisay, and Naga, and the surrounding Municipalities of Minglanilla, San Fernando, Consolacion, and Liloan, all within the Province of Cebu.

2. In a press release issued by the National Transmission Corporation (“Transco”), the power supply situation in Cebu has been described as “critical” with hardly any reserve power during peak hours between 6 p.m. and 9 p.m. When there is a power shortage, VECO will have to resort to load shedding or rotational brownouts among the customers. The situation is expected to occur in 2009 until 2010, when additional capacity from new power plants shall have been in place.

### The De-Loading Program

3. It was against this factual backdrop that VECO, in coordination with the Provincial Government and Business Community of Cebu, initiated a de-loading program with customers classified as “special wholesale power” (“Participating Customer”) which will be contained in an “Interruptible Load Agreement”.

4. Under the de-loading program of VECO, a Participating Customer may be requested by VECO (in writing or verbally) to de-load, during which time a Participating Customer may either fully de-load, by disconnecting its delivery point that receives electricity from VECO, or partially de-load by reducing its load from VECO, for a period of time as VECO may determine in its request.

5. VECO may request a Participating Customer to de-load for a maximum of twenty (20) cumulative hours in a month. The Participating Customer has the option whether or not to accommodate any request by VECO in excess of such period of time.

5.1. Since time is of the essence in addressing the imminent power shortage, VECO intends to immediately implement the Interruptible Load Agreement’s de-loading program, even as the Application is being tried and heard by the Honorable Commission. During this period and as part of the program, the Participating Customer agrees to accommodate VECO’s request to de-load **for free** but for a maximum of fifteen (15) cumulative hours in a month. Any de-loading request for a period greater than 15 cumulative hours in a month shall be at the option of the Participating Customer to accommodate.

6. VECO shall pay a Participating Customer a compensation for full or partial de-loading when it de-loads from VECO as requested (“De-loading Compensation”), the amount representing the incremental cost incurred due to the de-loading.

6.1. The De-Loading Compensation shall be computed by multiplying the “de-loaded kWh” less registered kWh in the meter, if any during periods when VECO request

Participating Customer to de-load, multiplied by the incremental de-loading cost per kWh. The “de-loaded kWh”, will be based on Participating Customer's agreed-upon 24-hour load profile, or upon actual, real-time reading when VECO shall have installed real-time metering for Participating Customer.

6.2. VECO shall pay Participating Customer for the de-loading within thirty (30) days from receipt of the invoice from Participating Customer.

6.3. Compensation shall be paid to the Participating Customers only upon approval (provisional or permanent) by the Honorable Commission of the de-loading program, including, but not limited to, the manner of compensating.

*De-Loading Compensation and the Manner of Recovery*

7. VECO proposes in the Interruptible Load Agreement that a compensation be paid to the Participating Customers in an amount equivalent to multiplying the “de-loaded kWh” less registered kWh in the meter (when requested by VECO to de-load) multiplied by the incremental de-loading cost per kWh.

8. VECO further proposes that the amount paid to the Participating Customers be recovered from all its customers within the franchise area as part of its Total Cost of Power. Thus, the following formula is respectfully proposed to the Honorable Commission:

$$\textit{Total Payments to Suppliers} + \textit{De-Loading Compensation} = \textit{Total Cost of Power}$$

8.1. Moreover, to get the generation cost per kWh:

$$\frac{\textit{Total Cost of Power}}{\textit{Total kWh Purchases Registered in Suppliers' Meters}}$$

9. To help ease the burden of additional cost of Participating Customers in self-generating during de-loading, it is proposed that the recovery of the De-Loading Compensation take effect retroactively, i.e., to be effective as of the time of implementing the Interruptible Load Agreement.

10. Simulating a worse case scenario of a 30 MW shortage of 2 hours a day, everyday, it is expected that an increase between Php 0.025 and Php 0.035 per kWh of the generation charge will result once this Application is approved. A copy of the simulated financial impact of the Interruptible Load Agreement is hereto attached as Annex "A" and made an integral part hereof.

*Allegations to Support the Prayer for Provisional Authority*

11. Addressing the critical power shortage in Cebu **is a matter of urgency and priority not only for VECO, the Provincial, the Business Community of Cebu, and other stakeholders in the power industry.** In recognition of the urgency and priority of the matter, a Memorandum of Agreement was signed last January 30, 2009 between and among Governor Gwendolyn F. Garcia (Cebu Provincial Governor), Cebu Chamber of Commerce and Industry, Mandaue Chamber of Commerce and Industry, Filipino-Chinese Chamber of Commerce, and Cebu Business Club where all stakeholders agreed to mutually cooperate to address the power shortage through de-loading from VECO and other distribution utilities. A copy of the signed Memorandum of Agreement is hereto attached as Annex "B" and made an integral part hereof.

11.1. To implement the Memorandum of Agreement, VECO prepared the Interruptible Load Agreement containing the principle of de-loading which will enable VECO to free up to about 40 megawatts from its load. As of the preparation of this Application two (2) customers have already signed the Interruptible Load Agreement, namely, Waterfront Cebu Hotel and Cebu Central Realty EMail. Copies of the signed Interruptible Load Agreement are hereto attached as Annexes "C" and "D" and made integral parts hereof.

12. In view of the financial impact of the implementation of the Interruptible Load Agreement upon all customers of VECO, VECO is mandated under law to seek approval of the same from the Honorable Commission. However, in view of the urgency of the matter and the

firm resolve of all stakeholders, the issuance of a Provisional Authority is necessary to timely address the problem.

### **PRAYER**

WHEREFORE, the foregoing premises considered, VECO respectfully prays of this Honorable Commission to:

1. Recognize the urgency and priority of addressing the power shortage in the Visayas and issue a Provisional Authority for the implementation of the Interruptible Load Agreement and the principle of de-loading and de-loading compensation contained therein, upon initial review of the Application;
2. Give retroactive effect to the De-Loading Compensation, i.e., since the time of implementation of the Interruptible Load Agreement between VECO and the Participating Customers;
3. After trial and hearing on the merits of the Application, issue a Decision Permanently Approving the Interruptible Load Agreement.

VECO similarly prays for other equitable reliefs under the circumstances.

Cebu City (for Pasig City), February 17, 2009.

#### **J. P. GARCIA & ASSOCIATES**

Counsel for Petitioner Visayan Electric Company, Inc.  
Unit 902, Ayala Life -FGU Center  
Mindanao Avenue, Cebu Business Park  
Cebu City

By:

#### **JOAN A. GIDUQUIO-BARON**

IBP O.R. No. 722925; 1/03/08; Cebu City  
PTR No. 7419103; 1/02/08; Cebu City  
Roll No. 41829  
MCLE Compliance No. I – 0016324  
MCLE Compliance No. II - 0015874

**VERIFICATION/CERTIFICATION**

REPUBLIC OF THE PHILIPPINES }  
CEBU CITY/PROVINCE                      } s.s.

I, ARLO A. G. SARMIENTO, of legal age and resident of Cebu City, after being duly sworn to in accordance with law hereby depose and say that:

I am the Vice President – Utility Economics Group of herein Petitioner;

I have caused the preparation of the foregoing Petition;

I have read the contents thereof and that the same are true and correct to the best of my knowledge and belief;

I have not cause commenced any other action or proceeding involving the same issue in the Supreme Court, the Court of Appeals or any agency or tribunal, and to the best of my knowledge, no such action or proceeding is pending in the same entities above-stated. If I should learn that a similar action or proceeding has been filed or pending before said court, agency or tribunal, I undertake to inform this Honorable Commission within 5 days from knowledge thereof.

Cebu City, (for Pasig City), February 17, 2009.

**ARLO A. G. SARMIENTO**  
*Affiant*

SUBSCRIBED AND SWORN TO before me this \_\_\_\_\_ at Cebu City, affiant exhibiting to me his CTC No. 21084379 issued at Cebu City on February 4, 2009.

Doc. No. \_\_\_\_  
Page No. \_\_\_\_  
Book No. \_\_\_\_  
Series of 2009.

List of customers w/ generating facilities of 500 KVA & up

#	ACCOUNT NO.	KW Contribution	20 hrs	40 Hrs	Compensable kWh	Fuel Consumption Rate	Av Price of Diesel	Generation Cost of Fuel	Customer's Average Rate	Incremental De-loading Cost	De-Loading Compensation
1	24624324	9000	9,000	16,743	360,000	0.25913	30	7.7739	4.4726	3.3013	1,188,484.28
2	40878416	6500	15,500	23,243	260,000	0.25913	30	7.7739	4.8786	2.8953	752,779.48
3	42597139	4000	19,500	27,243	160,000	0.25913	30	7.7739	3.9413	3.8326	613,219.71
4	41220333	3200	22,700	30,443	128,000	0.25913	30	7.7739	4.7373	3.0366	388,683.77
5	35666258	1900	24,600		38,000	0.25913	30	7.7739	4.8773	2.8966	110,071.90
6	41206411	1650	26,250		33,000	0.25913	30	7.7739	4.7424	3.0315	100,039.88
7	21283045	1600	27,850		32,000	0.25913	30	7.7739	4.8208	2.9531	94,498.29
8	47741777	1400	29,250		28,000	0.25913	30	7.7739	5.4322	2.3417	65,568.94
9	30010418	1200	30,450		24,000	0.25913	30	7.7739	4.9214	2.8525	68,459.38
10	41207213	1200	1,200		24,000	0.25913	30	7.7739	4.6314	3.1425	75,418.93
11	13923078	1130	2,330		22,600	0.25913	30	7.7739	4.8150	2.9589	66,870.12
12	51101618	1100	3,430		22,000	0.25913	30	7.7739	5.0486	2.7253	59,955.98
13	13334757	1100	4,530		22,000	0.25913	30	7.7739	4.3659	3.4080	74,976.37
14	45552179	1100	5,630		22,000	0.25913	30	7.7739	5.2683	2.5056	55,123.04
15	37594598	1100	6,730		22,000	0.25913	30	7.7739	4.6660	3.1079	68,374.63
16	39955857	1088	7,818		21,760	0.25913	30	7.7739	4.9805	2.7934	60,785.36
17	41216492	1000	8,818		20,000	0.25913	30	7.7739	4.0988	3.6751	73,501.63
18	52032970	1000	9,818		20,000	0.25913	30	7.7739	4.3810	3.3929	67,858.53
19	40305637	1000	10,818		20,000	0.25913	30	7.7739	4.9141	2.8598	57,196.38
20	54490895	960	11,778		19,200	0.25913	30	7.7739	5.0074	2.7665	53,116.79
21	27358897	900	12,678		18,000	0.25913	30	7.7739	4.9205	2.8534	51,361.08
22	23151200	850	13,528		17,000	0.25913	30	7.7739	5.1958	2.5781	43,828.20
23	4078547-7	809	14,337		16,180	0.25913	30	7.7739	4.2270	3.5469	57,388.25
24	54215533	800	15,137		16,000	0.25913	30	7.7739	5.1626	2.6113	41,780.73
25	54110898	800	15,937		16,000	0.25913	30	7.7739	5.7730	2.0009	32,014.90
26	45137139	800	16,737		16,000	0.25913	30	7.7739	5.0851	2.6888	43,021.04
27	41224657	800	17,537		16,000	0.25913	30	7.7739	4.4773	3.2966	52,745.92
28	21227846	800	18,337		16,000	0.25913	30	7.7739	6.6073	1.1666	18,666.21
29	30255216	760	19,097		15,200	0.25913	30	7.7739	5.4156	2.3583	35,845.97
30	21243205	700	19,797		14,000	0.25913	30	7.7739	6.0604	1.7135	23,988.72
31	34172331	700	20,497		14,000	0.25913	30	7.7739	5.6405	2.1334	29,867.13
32	21229288	700	21,197		14,000	0.25913	30	7.7739	5.0268	2.7471	38,459.46
33	42903558	680	21,877		13,600	0.25913	30	7.7739	4.9449	2.8290	38,474.12
34	12650590	660	22,537		13,200	0.25913	30	7.7739	4.8683	2.9056	38,353.52
35	45332012	600	23,137		12,000	0.25913	30	7.7739	4.6283	3.1456	37,747.52
36	24196640	600	23,737		12,000	0.25913	30	7.7739	4.5786	3.1953	38,344.00
37	29823694	600	24,337		12,000	0.25913	30	7.7739	4.6427	3.1312	37,573.91
38	24264964	600	24,937		12,000	0.25913	30	7.7739	5.0692	2.7047	32,455.86
39	21258245	592	25,529		11,840	0.25913	30	7.7739	5.0991	2.6748	31,669.46
40	88164335	550	26,079		11,000	0.25913	30	7.7739	4.3403	3.4336	37,769.51
41	16198277	520	26,599		10,400	0.25913	30	7.7739	5.0809	2.6930	28,007.66
42	21257605	520	27,119		10,400	0.25913	30	7.7739	4.4132	3.3607	34,951.69
43	16696480	500	27,619		10,000	0.25913	30	7.7739	4.5144	3.2595	32,595.28
44	45555852	500	28,119		10,000	0.25913	30	7.7739	5.3131	2.4608	24,608.21
45	14777792	500	28,619		10,000	0.25913	30	7.7739	5.1519	2.6220	26,220.09
46	43799371	480	29,099		9,600	0.25913	30	7.7739	5.0662	2.7077	25,994.05
47	3787987-8	470	29,569		9,400	0.25913	30	7.7739	4.4882	3.2857	30,885.15
48	2744739-2	400	29,969		8,000	0.25913	30	7.7739	4.5219	3.2520	26,016.33
49	52844819	400	30,369		8,000	0.25913	30	7.7739	4.7601	3.0138	24,110.64
50	21244481	380	380		7,600	0.25913	30	7.7739	5.4970	2.2769	17,304.50
51	50555216	360	740		7,200	0.25913	30	7.7739	4.6624	3.1115	22,402.64
52	88118732	350	1,090		7,000	0.25913	30	7.7739	6.1993	1.5746	11,021.87
53	48132650	350	1,440		7,000	0.25913	30	7.7739	4.9240	2.8499	19,949.01
54	48022731	350	1,790		7,000	0.25913	30	7.7739	5.1545	2.6194	18,335.83
55	31264812	320	2,110		6,400	0.25913	30	7.7739	4.7476	3.0263	19,368.17
56	15948035	318	2,428		6,360	0.25913	30	7.7739	4.6693	3.1046	19,745.02
57	3981267-3	310	2,738		6,200	0.25913	30	7.7739	4.8778	2.8961	17,955.92
58	30752970	300	3,038		6,000	0.25913	30	7.7739	4.9307	2.8432	17,059.19

List of customers w/ generating facilities of 500 KVA & up

#	ACCOUNT NO.	KW Contribution	20 hrs	40 Hrs	Compensable kWh	Fuel Consumption Rate	Av Price of Diesel	Generation Cost of Fuel	Customer's Average Rate	Incremental De-loading Cost	De-Loading Compensation
59	41232811	300	3,338		6,000	0.25913	30	7.7739	6.1053	1.6686	10,011.57
60	31591059	300	3,638		6,000	0.25913	30	7.7739	6.4757	1.2982	7,789.20
61	21256803	300	3,938		6,000	0.25913	30	7.7739	5.1327	2.6412	15,847.45
62	54115059	300	4,238		6,000	0.25913	30	7.7739	4.7496	3.0243	18,145.72
63	32004814	300	4,538		6,000	0.25913	30	7.7739	4.6789	3.0950	18,570.08
64	44533936	300	4,838		6,000	0.25913	30	7.7739	5.3397	2.4342	14,605.31
65	52045290	300	5,138		6,000	0.25913	30	7.7739	5.5233	2.2506	13,503.39
66	51716817	300	5,438		6,000	0.25913	30	7.7739	4.5626	3.2113	19,267.55
67	3755187-2	290	5,728		5,800	0.25913	30	7.7739	4.9486	2.8253	16,386.64
68	30283857	270	5,998		5,400	0.25913	30	7.7739	5.4266	2.3473	12,675.46
69	36548976	270	6,268		5,400	0.25913	30	7.7739	5.6283	2.1456	11,586.30
70	54119534	250	6,518		5,000	0.25913	30	7.7739	5.1447	2.6292	13,145.95
71	46764498	250	6,768		5,000	0.25913	30	7.7739	5.4495	2.3244	11,622.22
72	49572336	250	7,018		5,000	0.25913	30	7.7739	5.4077	2.3662	11,830.98
73	52042410	230	7,248		4,600	0.25913	30	7.7739	5.0640	2.7099	12,465.36
74	33807377	200	7,448		4,000	0.25913	30	7.7739	7.2929	0.4810	1,924.03
75	31611059	175	7,623		3,500	0.25913	30	7.7739	4.8431	2.9308	10,257.70
76	56174095	120	7,743		2,400	0.25913	30	7.7739	5.3680	2.4059	5,774.06
					1,825,240.00						5,498,279.12
		68,562						kWh Purchase (Dec 08)		164,039,502.48	
								<b>Incremental Generation Rate</b>		<b>0.0335</b>	