

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



IN THE MATTER OF THE
APPLICATION FOR THE APPROVAL
OF GENERATION RATE FOR THE
USE OF A 1 UNIT 2 MW MODULAR
GENERATION SET BY THE MISAMIS
ORIENTAL I RURAL ELECTRIC
SERVICE COOPERATIVE, INC.
(MORESCO-1) AND
CORRESPONDING APPROVAL OF
THE LOAN FROM THE NATIONAL
ELECTRIFICATION
ADMINISTRATION (NEA), WITH
PRAYER FOR THE ISSUANCE OF A
PROVISIONAL AUTHORITY

ERC CASE NO. 2015-014 RC

MISAMIS ORIENTAL I RURAL
ELECTRIC SERVICE COOPERATIVE,
INC. (MORESCO I),

Applicant.

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DOCKETED
Date: MAR 05 2015
[Signature]

ORDER

On January 30, 2015, the Misamis Oriental I Rural Electric Service Cooperative, Inc. (MORESCO I) filed an application for the approval of the generation rate for the use of a one (1) unit 2 MW modular generation set and corresponding approval of the loan from the National Electrification Administration (NEA), with prayer for the issuance of a provisional authority.

In the said application, MORESCO I alleged, among others, that:

1. It is an electric cooperative (EC) existing pursuant to Presidential Decree No. 269 (P.D. 269), as amended. It has its postal address at Poblacion, Laguindingan, Misamis Oriental. It may be served with the processes of the Commission through its Board President, Engr. Melvyn D. Eballe and General Manager, Engr. Julie B.

Real whose joint authority pursuant to Board Resolution No. 2014-0301 is attached to the application as Annex "A" and made an integral part thereof;

2. Its franchise area includes the Municipalities of Alubijid, Initao, Opol, Lugait, Laguindingan, Manticao, Gitagum, Libertad, Naawan, El Salvador City in the Province of Misamis Oriental, a portion of Cagayan de Oro City and the Municipalities of Talakag and Baungon in the Province of Bukidnon;

MODULAR GENERATING SET PROGRAM OF THE DOE

3. Since 2006, the Island of Mindanao has a shortage of 295 MW due to lack of new generation capacity and heavy reliance on Hydropower, which accounts for about 52.49% of the overall generation mix, but which generates less electricity output during summer months when water levels are low. While there is excess power supply in the Luzon grid, the Mindanao grid is not connected to the Luzon grid;
4. This situation has led the Department of Energy (DOE) to encourage the ECs, including MORESCO I, to acquire and/or lease modular generation sets as a near and short term solution to the rotating blackouts in Mindanao until such time that additional capacities shall have been installed sometime in late 2016 to early 2017;
5. Although the Power Sector Assets and Liabilities Management Corporation (PSALM) has an existing Transition Supply Contract (TSC) with MORESCO I, which will expire in August 2015, it has, however, unilaterally reduced the committed available power supply to MORESCO I by about thirty percent (30%) of its annual demand due to the declining dependable capacities of the *Pulangi* and *Agus* Hydropower Plants and has compelled it to look for new capacities especially for its peaking requirements when demand is at its highest;
6. Under Republic Act No. 9136 (R.A. No. 9136) or the "*Electric Power Industry Reform Act of 2001*" or the EPIRA, DUs, like the MORESCO I, are mandated to source their own power supply through "long term" contracts with generating companies and from the

Wholesale Electricity Spot Market (WESM) and, as far as practicable, to procure power supply at the least possible costs;

7. Under the recently passed law, R.A. 10531¹, ECs are now authorized to generate power from its own sources;
8. The DOE directed the National Electrification Administration (NEA) to implement the Modular Generating Set Program to ECs in Mindanao to address the power shortage causing rotating blackouts within their coverage franchise areas;
9. The Association of Rural Electric Cooperatives, Inc. (AMRECO) was tapped by the NEA to create a Technical Working Group (TWG) to study and recommend the Terms of Reference (TOR) in the conduct of bidding for ECs in Mindanao which are willing to acquire or lease the modular generation sets. Copy of the TOR is attached to the application as Annex "B";
10. It was one of the ECs which signified an intention to acquire the modular generating set, more specifically for one (1) unit 2 MW brand new Modular Diesel Electric Generator set;
11. The AMRECO adopted the recommendations of the TWG and thereafter created the Bids and Awards Committee (BAC) to implement the bidding;
12. The AMRECO conducted the Bidding in Cagayan de Oro City on October 13, 2013 at the Grand Caprice Lim Ket Kai Center participated by several local and international bidders for both the acquisition and lease options;
13. The BAC, after due consultation with the TWG of AMRECO, awarded the winning bids using the technical and financial standards in the TOR, to the most responsive bidders;
14. For MORESCO I, the winning bidder was GenDiesel Philippines, Inc. (GENDIESEL), a domestic corporation with business address at 101 Commerce Street, Laguna

¹ "National Electrification Administration Reform Act of 2013"

Technopark, Phase 2, Laguna. As a consequence thereto, a "Contract of Agreement for the Supply, Installation of 2MW Modular Genset" was signed by the representatives of MORESCO I and Supplier GENDIESEL. Copy of the said Contract is attached to the application as Annex "C";

15. For the acquisition cost and incidental expenses, it was provided financing at reasonable interest rate by the NEA, a copy of the "Contract of Loan" signed by the parties is attached to the application as Annex "D";

SALIENT FEATURES OF THE SUPPLY AND INSTALLATION CONTRACT

16. The modular gen set is described as "Brand new containerized and trailer capable genset (diesel generating set silent type @ 85dba at 7 meters distance), prime power rating not greater than 0.27 liter kWh. Synchronized generator with step up transformer of 13.2 kV Y 60 Hz. Inclusive of protective device at high and low voltage, low/high voltage power cable, grounding cable and external fuel tank 5,000 liters capacity with fuel pipes and filter";

a. Cost and Manner of Payment

17. The Modular Genset has a selling price of PhP40,647,188.00 per winning bid submitted by the Supplier GENDIESEL which is payable directly by NEA to GENDIESEL payable upon the happening of certain conditions as set forth in the contract. MORESCO I will then pay NEA for the principal plus interest cost in a fifteen (15) year period;

b. General Description and Operation of the Genset

18. The genset is expected to utilize 1800 RPM set at Prime Power Application Rating. It has a capacity of 2000 kW, 480 V, 3 phase. Its operation is assumed to be for eight (8) hours a day or 3000 hours per year at a load factor of eighty percent (80%). It will be using diesel fuel and SAE No. 40 lube oil. At site condition, its ambient temperature will be 45 deg. C, at an atmospheric pressure of 100 kPa, at a relative humidity of sixty percent (60%) and cooling

IMPACT ON ITS OVERALL GENERATION RATE

NPC-PSALM & MODULAR GENSET GENERATION MIX
 Year 2014

POWER SUPPLIER	Contract Energy (kWh)	Contract Demand (kW)	Average Generation Rate (P/kWh)	Weighted Average Generation Rate (kWh)	Average Generation Rate Impact
NPC - PSALM	338,059,500.23	51,421.00	3.0000	3.0193	0.0193
MODULAR GENSET	432,000.00	2,000.00	18.1500		
TOTAL	338,491,500.23	53,421.00			

Year 2015

POWER SUPPLIER	Contract Energy (kWh)	Contract Demand (kW)	Average Generation Rate (P/kWh)	Weighted Average Generation Rate (kWh)	Average Generation Rate Impact
NPC - PSALM	314,968,850.98	51,421.00	3.0000	3.1237	0.1237
MODULAR GENSET	2,592,000.00	2,000.00	18.1500		
TOTAL	317,560,850.98	53,421.00			

PRAYER

19. It prays that upon the filing of the instant application, the Commission: a) provisionally approves the generation rate arising from the use of one (1) unit 2 MW modular genset. The prayer for the issuance of a Provisional Authority (PA) is necessitated in order that it can immediately use the genset upon delivery by GENDIESEL pending review and evaluation by the Commission of the final authority on the generation rate applied for; and b) to approve the financing of the acquisition of loan through the NEA.

Finding the said application to be sufficient in form and in substance with the required fees having been paid, the same is hereby set for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **April 7, 2015 (Tuesday) at two o'clock in the afternoon (2:00 P.M.), at the MORESCO I's Main Office, Poblacion, Laguindingan, Misamis Oriental.**

MORESCO I is hereby directed to cause the publication of the attached Notice of Public Hearing, at its own expense, twice (2x) for two (2) successive weeks in two (2) newspapers of general circulation in the Philippines, with the date of the last publication to be made not later than ten (10) days before the date of the scheduled initial hearing. It is also directed to inform the consumers within its franchise area, by any other means available and appropriate, of the filing of the instant application, its reasons therefor and of the scheduled hearings thereon.

Let copies of the application, this Order, and the attached Notice of Public Hearing be furnished the Office of the Solicitor General (OSG), the Commission on Audit (COA) and the Committees on Energy of both Houses of Congress. They are hereby requested, if they so desire, to send their duly authorized representatives at the scheduled hearings.

Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Offices of the Governors of Misamis Oriental and Bukidnon and the Mayors of the Cities/Municipalities within the franchise area of MORESCO I for the appropriate posting thereof on their respective bulletin boards.

MORESCO I is hereby directed to furnish all those making requests therefor with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs.

On the date of the initial hearing, MORESCO I must submit to the Commission its written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidences of the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the afore-mentioned Governors and Mayors or their duly authorized representatives, bearing the seals of their offices, and the affidavits of the Editors or Business Managers of the newspapers where said Notice of Public Hearing were published together with the complete issues of the said newspapers, and such other proofs of compliance with the requirements of the Commission.

MORESCO I and all interested parties are directed to submit, at least five (5) days before the date of initial hearing and pre-trial conference, their respective Pre-Trial Briefs containing, among others:

- (a) A summary of admitted facts and proposed stipulation of facts;
- (b) The issues to be tried or resolved;
- (c) The documents or exhibits to be presented, stating the purposes thereof and proposed markings therefore; and
- (d) The number and names of the witnesses, with their written testimonies in an individual affidavit form, to be attached to the Pre-Trial Brief.

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

As part of the pre-trial conference, MORESCO I must also be prepared to make an expository presentation of its application, aided by whatever communication medium that it may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the consumers and other concerned parties, what the application is all about and the reasons and justifications being cited in support thereof.

SO ORDERED.

Pasig City, March 2, 2015.

FOR AND BY AUTHORITY
OF THE COMMISSION:


ZENAIDA G. CRUZ-DUCUT
Chairperson *per 4*

Copy Furnished:

1. **ATTY. ELEUTERIO F. DIAO IV**
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1906 Bontong, Camaman-an,
Cagayan de Oro City, 9000
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Cellular Phone Number 0917-4704318
2. **ENGR. MELVYN D. EBALLE**
President, Board of Directors
MISAMIS ORIENTAL I RURAL ELECTRIC SERVICE COOPERATIVE,
INC. (MORESCO I)
Poblacion, Laguindingan, Misamis Oriental
3. **ENGR. JULIE B. REAL**
General Manager, MORESCO I
MISAMIS ORIENTAL I RURAL ELECTRIC SERVICE COOPERATIVE,
INC. (MORESCO I)
Poblacion, Laguindingan, Misamis Oriental
4. **CAGAYAN ELECTRIC POWER AND LIGHT COMPANY, INC.
(CEPALCO)**
Toribio Chavez Street, Cagayan de Oro City
5. **The Office of the Solicitor General**
234 Amorsolo Street, Legaspi Village, Makati City
Metro Manila
3. **The Commission on Audit**
Don Mariano Marcos Avenue
Diliman, Quezon City, Metro Manila
4. **The Senate Committee on Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City, Metro Manila
5. **The House Committee on Energy**
House of Representatives
Batasan Hills, Quezon City, Metro Manila
6. **Office of the President of PCCI**
Philippine Chamber of Commerce and Industry (PCCI)
3rd Floor, Chamber and Industry Plaza (CIP)
1030 Campus Avenue corner Park Avenue
McKinley Town Center, Fort Bonifacio, Taguig City
7. **THE NATIONAL GRID CORPORATION OF THE PHILIPPINES (NGCP)**
National Grid Corporation of the Philippines (NGCP)
Quezon Avenue corner BIR Road, Diliman, Quezon City
8. **Office of the Provincial Governor**
Province of Misamis Oriental
9. **Office of the Provincial Governor**
Province of Bukidnon
10. **Office of the City Mayor**
Cagayan de Oro City

11. **Office of the City Mayor**
El Salvador City, Misamis Oriental
12. **Office of the Municipal Mayor**
Alubijid, Misamis Oriental
13. **Office of the Municipal Mayor**
Initao, Misamis Oriental
14. **Office of the Municipal Mayor**
Opol, Misamis Oriental
15. **Office of the Municipal Mayor**
Lugait, Misamis Oriental
16. **Office of the Municipal Mayor**
Laguindingan, Misamis Oriental
17. **Office of the Municipal Mayor**
Manticao, Misamis Oriental
18. **Office of the Municipal Mayor**
Gitagum, Misamis Oriental
19. **Office of the Municipal Mayor**
Libertad, Misamis Oriental
20. **Office of the Municipal Mayor**
Naawan, Misamis Oriental
21. **Office of the Municipal Mayor**
Talakag, Bukidnon
22. **Office of the Municipal Mayor**
Baungon, Bukidnon