

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



**IN THE MATTER OF THE
APPLICATION FOR
APPROVAL OF THE POWER
SUPPLY AGREEMENT
EXECUTED BY AND
BETWEEN BOHOL LIGHT
COMPANY, INC. AND
UNIFIED LEYTE
GEOTHERMAL ENERGY,
INC**

ERC CASE NO. 2015-190 RC

**BOHOL LIGHT COMPANY,
INC. (BLCI) AND UNIFIED
LEYTE GEOTHERMAL
ENERGY INC., (ULGEI)**

Applicants.

x ----- x

D O C K E T E D
Date: **FEB 16 2016**
By: *[Signature]*

ORDER

On 3 November 2015, Bohol Light Company, Inc. (BLCI) and Unified Leyte Geothermal Energy, Inc. (ULGEI) filed an Application for approval of their Power Supply Agreement (PSA), with prayer for provisional authority.

In the said Application, BLCI and ULGEI alleged, among others, that:

THE APPLICANTS

1. BLCI is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at BLCI Building, Ramon Enerio Street, Tagbilaran City, Bohol. BLCI has a franchise and a Certificate of Public Convenience and Necessity to operate as distribution utility of the electric light and power distribution service in Tagbilaran City, Bohol (the "Franchise Area").

[Handwritten signature]

2. ULGEI is a corporation duly organized and existing under the laws of the Republic of the Philippines with principal address at 38th Floor, One Corporate Center, Julia Vargas cor. Meralco Avenue, Ortigas Center, Pasig City, and it manifests the following:

2.1 ULGEI, as a generation company, falls within the ambit of Sections 6 and 29 of Republic Act No. 9136 or the Electric Power Industry Reform Act of 2001(“EPIRA”).

2.2 While ULGEI is a co-applicant, it manifests that this joint Application shall neither modify, diminish or constitute as a waiver of ULGEI’s rights nor expand its obligations and responsibilities as a generation company under the EPIRA.

2.3 ULGEI has joined in this Application as a co-applicant, as required by the Honorable Commission.

3. BLCI and ULGEI may be served with pleadings, papers, notices and other processes through respective counsels at the addresses indicated below.

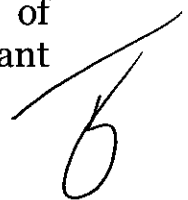
NATURE OF THE APPLICATION

4. Pursuant to Rule 20 (B) of the Energy Regulatory Commission’s Rules of Practice and Procedure (“ERC Rules”), and other pertinent rules and regulations, this Application is submitted to this Honorable Commission for its due consideration and approval of the Power Supply Agreement executed by and between BLCI and ULGEI.

STATEMENT OF THE FACTS

5. BLCI had a Contract for the Supply of Electric Energy (“CSEE”) with NPC/PSALM, which expired on August 25, 2015.

6. In order to ensure sufficiency of supply in its Franchise Area with the expiration of its CSEE and the appointment of the IPP Administrators for the strips of energy of the Unified Leyte Geothermal Power Plant



(ULGPP), BLCI started soliciting offers in January 2015, from eight (8) Power Suppliers, namely: AES Philippines, Inc., East Asia Utilities, KEPCO-SPC Power Corporation, Good Friends Hydro Resources Corporation, Panay Energy Development Corporation, GN Power, Energy Development Corporation, and ULGEI.

7. BLCI received offers from six (6) suppliers. The other two suppliers had no capacity to offer, since AES Philippines, Inc. supply capacity will be available only in 2019, while East Asia Utilities only supplies to their immediate customer.

8. BLCI verified and evaluated all the offers to determine the most competitive and advantageous offer for BLCI. ULGEI was found to have submitted the best power supply offer that would be favorable for BLCI's consumers.

9. On August 7, 2015, BLCI and ULGEI entered into a Power Supply Agreement ("PSA"), which is the subject of the instant Application, whereby ULGEI agreed to supply to BLCI the monthly energy quantities specified in the PSA's Schedule of Maximum Demand of 11MW for the term August 26, 2015 to August 25, 2021, and a Minimum Demand of 5.5MW for the same term, and BLCI agreed to take or pay the same.

10. In entering into the PSA, BLCI considered the urgency of its supply requirements in view of the expiration and non-extendibility of the CSEE on August 25, 2015. In addition, the fee payable for the ULGEI supply is among the lowest of the offers received from other prospective suppliers.

ABSTRACT OF THE POWER SUPPLY
AGREEMENT
AND OTHER RELEVANT INFORMATION

Salient Features of the PSA. The PSA between BLCI and ULGEI contains the following salient terms and conditions:



11. **Term.** The PSA shall take effect immediately from Effective Date¹. The obligation of ULGEI to deliver Contract Energy and of BLCI to purchase the same, shall commence on Effective Date and shall remain in force and effect for six (6) years after the Effective Date, unless sooner terminated in accordance with the PSA.²

11.1. The obligation of ULGEI with respect to the sale and delivery of the Contract Energy shall commence, when and upon: (a) all Governmental Authorizations which are required to have been obtained in connection with the execution, delivery and commencement of performance of the PSA shall have been obtained and be in full force and effect; (b) receipt by both Parties of the ERC Approval; and (c) the representations and warranties of ULGEI contained in the PSA shall be true and correct in all material respects on and as of Effective Date.³

11.2. **Contract Energy.** ULGEI shall supply and deliver the Monthly Contracted Energy, whether from the capacity of the Power Plant or other power plants owned or operated by any of ULGEI's Affiliates, WESM or other administrator, to BLCI to be delivered in accordance with the *Contract Energy Schedule*⁴ specified under the PSA.

12. **Contract Price.** BLCI shall pay for the Contract Energy equivalent to the sum of the Generation Payment Rate and the Administration Fee where:

13. **The Generation Payment Rate** is determined by the load factor specified in Annex "A" of the PSA, according to the following formula:

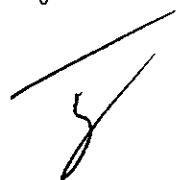
$$\frac{FX_1}{FX_0} \left(0.398 + 0.240 \frac{CE_1}{CE_0} + 0.080 \frac{FCP_1}{FCP_0} \right) + 0.085 \frac{LCP_1}{LCP_0} + 0.084 \frac{WPG_1}{WPG_0} + 0.085 \frac{WPM_1}{WPM_0} + 0.04792$$

¹ Section 1.1.16 PSA

² Section 3.1 PSA

³ Section 3.3, PSA

⁴ Annex C, PSA



The above formula shall be determined using the following indices, with base month of May 2013:

- a) The PhP/USD exchange rate published by the Bangko Sentral ng Pilipinas
- b) the US Price Index for Capital Equipment, line 63 bb, International Financial Statistics (2010=100)
- c) the US Consumer Price Index, All items, line 64, International Financial Statistics (2010=100)
- d) the Consumer Price Index for National Capital Region, All Items, (2006=100) as published by the National Statistics Office
- e) the Manufactured Goods Classified Chiefly by Materials Component of the General Wholesale Price Index for National Capital Region (1998=100) as published by the National Statistics Office
- f) Machinery and Transport Equipment component of the General Price Index for National Capital Region (1998=100) as published by the National Statistics Office

The Administration Fee is equivalent to PhP0.3200/kWh, subject to the annual escalation or de-escalation using the following index :

- a) The CPI shall be the Philippine Consumer Price Index, (2006=100) as published by the National Statistics Office, or its succeeding entity, for the year.

Sample Computation of the Basic Energy Charge (“BEC”):

Given:

Basic Energy Charge = Generation Payment Rate + Administration Fee

Where:

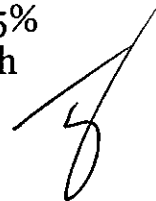
Generation Payment Rate = Rate x I

Where: Rate = 4.8874 P/kWh at 70% load factor,
I = 105%

Administration Fee = 0.32 PhP/kWh

Then,

Generation Payment Rate = $4.8874 \times 105\%$
= 5.1318 PhP/kWh



$$\begin{aligned} \text{VAT on Administration Fee} &= 0.32 \times 112\% \\ &= 0.3584 \end{aligned}$$

$$\begin{aligned} \text{Basic Energy Charge} &= 5.1318 + 0.3584 \\ &= 5.4902 \text{ PhP/kWh} \end{aligned}$$

Sample Computation of Adjustment to Administration Fee:

$$\text{Adjusted Administration Fee}_n = \text{Administration Fee}_{n-1} * \text{(A)}$$

Where:

Administration Fee_{n-1} = Administration Fee for year
n minus 1 (in Peso per kWh)

$$A = \text{CPI}_{n-1} / \text{CPI}_{n-2}$$

Where:

CPI_{Average(n-1)} = average CPI of year n minus 1, as
published by the NSO

CPI_{Average(n-2)} = average CPI year n minus 2, as
published by the NSO

Year n	2016
Previous Year Administration Fee, Php/kWh	0.3200
CPI_{n-1}	144.2
CPI_{n-2}	139.5
Adjusted Administration Fee, Php/kWh	0.3308
Applicable to Billing Periods	January to December 2016

14. Penalty. Any invoice or debit memo not paid by BLCI on Due Date shall bear interest, calculated at an annual rate of five percent (5%) plus the PDST-R2 1M rate displayed on the Philippine Dealing and Exchange Corporation ("PDEX") Market Page, Bloomberg or the PDEX website (or such successor electronic service provider) computed from the Due Date.



15. In support of the instant Application and in compliance with Rule 20(B) of the ERC Rules, BLCI and ULGEI are submitting herewith the following documents as annexes to this Application:

Annex	Document
A	Power Supply Agreement dated August 7, 2015 between BLCI and ULGEI
B	Securities and Exchange Commission Certificate of Registration of ULGEI
C	Articles of Incorporation of ULGEI
D	General Information Sheet of ULGEI
E	Transmission Service Agreement between BLCI and the National Transmission Corporation.
F	Distribution Development Plan (DDP) of BLCI
G	Rate Impact Analysis
H	Executive Summary
I	BLCI Supply-Demand Scenario
J	Certificate of Effectivity

16. Rate Implication. An analysis was conducted to determine the impact of the implementation of the PSA on BLCI's generation costs, a copy of which is attached as Annex "G." The following table shows the expected rate impact in the event that BLCI procures power from ULGEI under the PSA:

Power Supplier	W/ NPC PSALM	W/ ULGEI
Blended Generation Rate (P/kWh)	4.8937	5.4430

17. The BEC was arrived at taking into consideration the prevailing supply-demand condition and competition in the market. The Generation Payment Rate was designed to provide the most competitive rate for its mid-merit to peaking requirements.

18. Generation Payment Rate was valued by the customer, given that other alternatives in the market translated to higher costs when utilized at lower load factors. Unlike coal and oil supply, Generation Payment

Rate and Administration Fee adjustment formulas are more predictable and stable.

19. The Generation Payment Rate adjustment formula is merely pass-through in accordance with the administration agreement between PSALM and ULGEI, while the Administration Fee adjustment formula is to be adjusted annually only on the basis of Philippine CPI.


20. In light of the expiration of the CSEE with NPC/PSALM on August 25, 2015, it is critical that the PSA between ULGEI and BLCI be implemented immediately to address any shortfall in supply to BLCI customers. Accordingly, there is a paramount necessity for the timely approval of this Application so that BLCI can immediately implement the PSA to ensure continuous and reliable electricity at reasonable prices in BLCI's Franchise Area.

PRAYER

WHEREFORE, it is most respectfully prayed that this Honorable Commission, after notice and hearing, approve the PSA and authorize the retroactive implementation from August 26, 2015 of the rates and rate structure as provided in the PSA.

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 **7 June 2016 (Tuesday) at ten o'clock in the morning (10:00 A.M.) at BLCI Building, Ramon Enerio Street, Tagbilaran City, Bohol.**

BLCI and ULGEI are hereby directed to cause the publication of the attached Notice of Public Hearing, at their 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. They are also directed to inform the customers within BLCI's franchise area, by any other means available and appropriate, of the filing of the instant Application, their reasons therefor, and of the scheduled hearing 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 hearing.

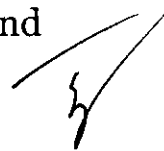
Likewise, let copies of this Order and the attached Notice of Public Hearing be furnished the Office of the Governor of the Province of Bohol and the Offices of the Mayors of the City and Municipalities within BLCI's franchise area for the appropriate posting thereof on their respective bulletin boards.

BLCI and ULGEI are 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, BLCI and ULGEI must submit to the Commission their written Compliance with the jurisdictional requirements attaching therewith, methodically arranged and duly marked, the evidence on the actual posting and publication of the Notice of Public Hearing consisting of certifications issued to that effect, signed by the aforementioned Governor 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 the 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.

BLCI and ULGEI 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 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 BLCI and ULGEI to submit the required Pre-trial Brief and Judicial Affidavits of their 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, BLCI and ULGEI must also be prepared to make an expository presentation of their Application, aided by whatever communication medium that they may deem appropriate for the purpose, in order to put in plain words and explain, for the benefit of the customers and other concerned parties, what the Application is all about and the reasons and justifications being cited in support thereof.

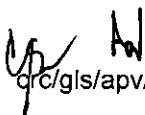
SO ORDERED.

Pasig City, 2 February 2016.

FOR AND BY AUTHORITY OF
THE COMMISSION:


JOSE VICENTE B. SALAZAR

Chairman 


erc/gls/apv/Ord.2016-190RC/BLCI and ULGEI/initial order

ERC
Office of the Chairman



B-2016-009-OC-00635

Copy Furnished:

1. **Atty. Remigio A. Ancheta**
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2. **Bohol Light and Company, Inc.**
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3. **Atty. Helena Rosales-Calo**
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Exchange Road, Ortigas Center, Pasig City
4. **Unified Leyte Geothermal Energy (ULGEI)**
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Julia Vargas cor MERALCO Avenue
Ortigas Center, Pasig City
5. **Office of the Solicitor General (OSG)**
134 Amorsolo Street, Legaspi Village, Makati City
6. **Commission on Audit**
Commonwealth Avenue
Quezon City, Metro Manila
7. **The Committee On Energy**
Senate of the Philippines
GSIS Building, Roxas Blvd., Pasay City
8. **The Committee On Energy**
House of Representatives
Batasan Hills, Quezon City
9. **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
10. **Office of the City Mayor**
Tagbilaran City

