

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 BETWEEN (PSA)
ANGELES ELECTRIC
CORPORATION (AEC) AND
ANGELES POWER INC. (API)**

ERC CASE NO. 2015-091 RC

**ANGELES ELECTRIC
CORPORATION (AEC) AND
ANGELES POWER INC. (API),
Applicants.**

DOCKED
Date: JUN 23 2015
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NOTICE OF PUBLIC HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on May 4, 2015, Angeles Electric Corporation (AEC) and Angeles Power Inc. (API) filed an application for the approval of their Power Supply Agreement (PSA).

In the said application, AEC and API alleged, among others, the following:

1. AEC is a corporation duly organized and existing under Philippine law, with principal office address at Don Juan Nepomuceno Avenue corner Doña Teresa, Nepo Mart Complex, Angeles City, Pampanga. Under Republic Act No. 9381 (R.A. 9381), it was authorized to construct, own, operate and maintain an electric distribution system in Angeles City, Pampanga;

2. API is a power generation company duly organized under Philippine law, with principal office address at 1905 Robinsons Equitable Tower, ADB Avenue corner Poveda St., Ortigas Center, Pasig City;
3. AEC currently sources its power supply from the following power provider: a) GNPower Mariveles Co. Ltd. (GNPOWER) under a Power Purchase and Sale Agreement (PPSA [72 MW baseload]) expiring on February 26, 2029; b) Angeles Power Inc. (22MW-peaking) under an Amended Electricity Purchase Agreement (AEPA) expiring on December 25, 2016; and c) the rest (imbalance) from the Wholesale Electricity Spot Market (WESM);
4. Considering that AEC's AEPA with API is due to expire on December 25, 2016, AEC issued requests for proposals to several power suppliers. The request solicited proposals for the supply of 22 MW of peak power for a term of at least ten (10) years. AEC is to select a power supplier under a least cost approach and on terms most advantageous to AEC;
5. All of the three (3) potential power suppliers with peaking power plants responded to the invitation to submit proposals. Out of the three (3) power suppliers who responded, one (1) power supplier submitted a non-responsive offer. Thus, only two (2) power suppliers were considered in the selection process;
6. The evaluations conducted on the offers received disclosed the following results:

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SUPPLIER A (ANGELES POWER INC.)

SUPPLIER B

TEST PERIOD: APRIL 2014 POWER BILL
 CONSUMPTION: 5,089,427 kWh

Basic Charges:		Rate	Amount
Capacity Fee (P/kW)	22,000	286.50	P 6,303,000.00
O&M Fees:			
Fixed (P/kW)	22,000	411.51	9,053,220.00
Variable (P/kWh)	5,089,427	0.4786	2,435,799.76
Energy Fee (P/kWh)	5,089,427	7.3841	37,580,837.91
TOTAL			P 55,372,857.67
Average Rate (P/kWh)			P 10.88
Add: Line Loss			-
Average Rate (P/kWh)			P 10.88

Basic Charges:		Rate	Amount
Capacity Fee (P/kW)	22,000	366.67	P 8,066,740.00
O&M Fees:			
Fixed (P/kW)	22,000	415.57	9,142,540.00
Variable (P/kWh)	5,089,427	0.4011	2,041,369.17
Energy Fee (P/kWh)	5,089,427	7.1168	36,220,434.07
TOTAL			P 55,471,083.24
Average Rate (P/kWh)			P 10.90
Add: Line Loss			0.07
Average Rate (P/kWh)			P 10.97

- AEC selected API as the winning power supplier as it found the latter's offer to be the least cost supply. In addition, it gave AEC a more secure and reliable power supply considering that API is embedded to AEC's distribution system;
- On March 24, 2015, AEC and API entered into a PSA whereby API will supply to AEC 22 MW of peaking power commencing from the December 26, 2016 to December 25, 2026. The salient provisions of the said PSA are as follows:

Tariff Components	Rate
Capacity Fee (PhP/kW/Month)	286.50 x Contracted Capacity or Registered Maximum demand, whichever is higher
O&M, Fixed (PhP/kW/Month)	410.34 x CPI adjustment x Contracted Capacity or Registered Maximum Demand, whichever is higher
O&M, Variable (PhP/kWh)	0.4772 x CPI Adjustment x Actual kWhrs
Energy Fee (PhP/kWh)	0.2597 liter/kWhr x Actual Cost of Bunker Consumed x Actual kWhrs

“Forced Outage - In case SELLER experiences forced outage when dispatched by BUYER, SELLER shall procure replacement power from an alternative

source and BUYER shall accordingly pay for the replacement power at the same tariff rates provided herein. Any incremental cost shall be borne by the SELLER.”;

9. A rate impact simulation of the PSA on AEC's Generation Charge for May 2014 billing period disclosed the following results:

RATE IMPACT ON BLENDED GENERATION RATE			
ACTUAL:			
SUPPLIERS	MAY 2014 BILLING (APRIL '14 POWER BILLS)		
	AMOUNT	ENERGY	Ave P/kWh
GNPOWER	P 137,246,470.05	31,216,571	P 4.3966
WESM	61,972,303.16	8,392,410	7.3843
API	60,746,730.51	5,089,427	11.9359
TOTAL	P 259,965,503.72	44,698,408	5.8160
LESS: 50% PPD (GNPOWER)	(593,620.06)	-	
NET GENERATION COST	P 259,371,883.66	44,698,408	
BLENDED GENERATION RATE(P/kWh)			P 5.8027
PROPOSED:			
SUPPLIERS	MAY 2014 BILLING (APRIL '14 POWER BILLS)		
	AMOUNT	ENERGY	Ave P/kWh
GNPOWER	P 137,246,470.05	31,216,571	P 4.3966
WESM	61,972,303.16	8,392,410	7.3843
API	P 55,372,857.67	5,089,427	10.8800
TOTAL	P 254,591,630.88	44,698,408	5.6958
LESS: 50% PPD (GNPOWER)	(593,620.06)	-	
NET GENERATION COST	253,998,010.82	44,698,408	
BLENDED GENERATION RATE(P/kWh)			P 5.6825
INCREASE (DECREASE)			P (0.1202)

10. AEC and API submitted the following documents in support of the instant application:
 - a. Power Supply Agreement (PSA);
 - b. Details of PSA:
 - b.1. Executive Summary
 - b.2. Sources of Funds/Financial Plans
 - 2.1. Debt/Equity Ratio
 - 2.2. Project Cost
 - 2.3. Annual Interest
 - 2.4. Computation of Return on Investment/WACC
 - 2.5. Certification from the Bank/Lending Institution specifying the principal amortization, term and interest during the cooperation period of the loan agreement

b.3. Purchased Power Rate

- 3.1. Breakdown of the base prices of Operation and Maintenance, Capacity Fee, Fixed Operation Fee, and Energy Fee (provide computations)
- 3.2. Sample Computation of Power Rates with the supporting documents on the assumptions taken
- 3.3. If applicable, basis/rationale of indexation and level of indexation

b.4. Cash Flow specifying the following:

- 4.1. Initial Costs
 - 4.2. Breakdown of Operating and Maintenance Expenses and
 - 4.3. Minimum Energy Off-take (MEOT);
- c. Articles of Incorporation (AOI);
 - d. SEC Certificate of Registration;
 - e. Latest General Information Sheet;
 - f. Environmental Compliance Certificate;
 - g. Filed application for Certificate of Compliance (COC);
 - h. Relevant technical and economic characteristics of generation capacity, installed capacity, mode of operation and dependable capacity of the plant;
 - i. Approved AEC-API Amended Energy Purchase Agreement (existing);
 - j. Single Line Diagram of API Connection Point;
 - k. Distribution Development Plan (DDP) showing 2015-2024 forecasted load as submitted to DOE;
 - l. Details of procurement process leading to selection of supplier - RFPs, proposals received, tender offers, etc.;
 - m. Details of load forecast projections in accordance with latest DDP and the variability of those projections over the proposed contractual period, including estimation of the potential reduction in load due to retail competition. Any inconsistency shall be supported by relevant analysis;
 - n. Transmission Service Agreement (TSA); and
 - o. Average Daily Load Curve of AEC for 2014(Actual) and 2017(Forecasted); and

11. They pray that after due notice and hearing, the Commission issue a Decision approving the proposed PSA.

The Commission has set the instant application for jurisdictional hearing, expository presentation, pre-trial conference and evidentiary hearing on **July 24, 2015 (Friday) at ten o'clock in the morning (10:00 A.M.) at the AEC's Main Office, Don Juan Nepomuceno Avenue corner Doña Teresa, Nepe Mart Complex, Angeles City, Pampanga.**

All persons who have an interest in the subject matter of the proceeding may become a party by filing, at least five (5) days prior to the initial hearing and subject to the requirements in the ERC's Rules of Practice and Procedure, a verified petition with the Commission giving the docket number and title of the proceeding and stating: (1) the petitioner's name and 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.

All other persons who may want their views known to the Commission with respect to the subject matter of the proceeding may file their opposition to the application or comment thereon at any stage of the proceeding before the applicants conclude the presentation of their evidence. No particular form of opposition or comment is required, but the document, letter or writing should contain the name and address of such person and a concise statement of the opposition or comment and the grounds relied upon.

All such persons who may wish to have a copy of the application may request the applicants, prior to the date of the initial hearing, that they be furnished with a copy of the application. The applicants are hereby directed to furnish all those making such request with copies of the application and its attachments, subject to reimbursement of reasonable photocopying costs. Likewise, any such person may examine the application and other pertinent records filed with the Commission during the usual office hours.

WITNESS, the Honorable Chairperson, **ZENAIDA G. CRUZ-DUCUT**, and the Honorable Commissioners, **ALFREDO J. NON**, **GLORIA VICTORIA C. YAP-TARUC**, **JOSEFINA PATRICIA A. MAGPALE-ASIRIT** and **GERONIMO D. STA. ANA**, Energy Regulatory Commission, this 15th day of June, 2015 at Pasig City.


ATTY. FRANCIS SATURNINO C. JUAN
Executive Director III