

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
JOINT APPLICATION FOR
THE APPROVAL OF THE
POWER SUPPLY
AGREEMENT BETWEEN
DON ORESTES ROMUALDEZ
ELECTRIC COOPERATIVE
(DORELCO) AND KEPCO SPC
POWER CORPORATION
(KSPC) WITH PRAYER FOR
CONFIDENTIAL
TREATMENT OF
INFORMATION AND
MOTION FOR PROVISIONAL
AUTHORITY**

ERC CASE NO. 2024-099 RC

**DON ORESTES ROMUALDEZ
ELECTRIC COOPERATIVE
(DORELCO) AND KEPCO SPC
POWER CORPORATION
(KSPC),**

Applicants.

X-----X

Promulgated:
December 26, 2024

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that on 05 August 2024, Don Orestes Romualdez Electric Cooperative (DORELCO) and Kepco SPC Power Corporation (KSPC) filed a *Joint Application* dated 31 May 2024, seeking the Commission's approval of their Power Supply Agreement (PSA), with prayer for confidential treatment of information and motion for provisional authority.

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

1. Applicant **DON ORESTES ROMUALDEZ Electric Cooperative ("DORELCO")** is an electric cooperative duly

organized and existing under and by virtue of Presidential Decree No. 269 (PD 269), as amended, and other laws of the Republic of the Philippines, with principal office at Brgy. San Roque, Tolosa, Leyte herein represented by its Board President, Engr. Ryan C. Reas, and Acting General Manager, Christopher A. Garcia, evidenced by Board Resolution 2024-031. A copy of which is attached in the Power Supply Agreement attached as **Annex “A”** and its sub markings.

2. Applicant **KEPCO SPC Power Corporation (“KSPC”)** is a corporation duly organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal address at the 7th Floor, Cebu Holdings Center, Cebu Business Park, Cebu City, Philippines, herein represented by its Marketing Assistant Manager, Jude Francis Alphaeus Rendon, and its Market Analysis Assistant Manager, Rovel Tangkay, who has been authorized by its Board of Directors to file the Joint Application as evidenced by the Secretary’s Certificate dated February 9, 2023, attached hereto as **Annex “B.”**
3. Applicant KSPC owns and operates a 2x103 MW Circulating Fluidized Bed Combustor (CFBC) Boiler Coal-Fired base load power plant in the City of Naga, Cebu, which became operational in 2011.
4. Applicants may be served notices, orders, and other processes of the Honorable Commission through their respective counsels at their addresses indicated below.

NATURE OF THE APPLICATION

5. This is an application for the approval of the Power Sales Agreement (“PSA”) between DORELCO and KSPC executed on April 17, 2024. A copy of the PSA is attached hereto as **Annex “A”**

STATEMENT OF FACTS

6. DORELCO is a duly franchised Distribution Utility engaged in the distribution of electricity with its franchise areas in the municipalities of Buraue, Dagami, Dulag, Julita, La Paz, Mayorga, Pastrana, Sta. Fe, Tabon-Tabon, and Tolosa, all in Leyte.
7. The subject Energy and Capacity of the PSA is needed by DORELCO to meet the demand of the captive market in a least cost manner. A copy of its Supply and Demand Scenario, Details of Existing Suppliers, Contract Utilization, and the Average Daily Load Curve is attached as Annex **“C”**.
8. In addition, DORELCO Single Line Diagram is attached as **Annex “D”**, Performance Assessment 2017 to 2022 is attached as **Annex “E”**, and Performance Assessment 2023

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is attached **Annex “E-1”**.

9. Pursuant to DOE Circular No. DC2018-02-0003 as amended by DOLE Department Circular No. DC2021-09-0030 DORELCO entered into a Joint Competitive Selection Process (“CSP”) with other FRECOR 8 DUs. A copy of the Memorandum of Agreement between FRECOR 8 Electric Cooperatives is attached as **Annex “F”**.
10. FRECOR 8 sent a letter dated March 22, 2022 including the proposed “Captive Customer Representative for the Third Party Bids and Awards Committee (TPBAC) Selection Process”, copies of which are hereto attached as **Annex “WW” and “WW-1”**, respectively, to the Energy Virtual One-Stop Shop (“EVOSS”) portal of the Department of Energy (“DOE”).
11. The DOE issued a letter dated April 25, 2022 addressed to Mr. Joey L. Talon, President of FRECOR 8, approving the proposed selection process, a copy of which is attached as **Annex “WW-2”**.
12. After approval of the proposed selection process, FRECOR 8 then started accepting applications for the captive customer representatives who will constitute the two (2) other members of the Joint TPBAC of which Mr. Vida O. Ureña and Atty. Kenneth B. Fabila, a member of the Philippine Institute of Certified Public Accountants (PICPA) Tacloban City Chapter, were recommended. Copies of their submitted resume are hereto attached as **Annex “XX and series”**.
13. FRECOR 8 thereafter duly constituted its JTPBAC, the composition of which was approved by the Board of Directors of FRECOR 8 in Resolution Nos. 2021-06-001, 2022-01-003, 2022-03-002, and 2022-08-001, copies of which are also attached as **Annex “YY and series”**.
14. FRECOR 8 JTPBAC then prepared and submitted for approval to the Department of Energy (DOE) through the National Electrification Administration (NEA) the Power Supply Procurement Plan (PSPP), Distribution Development Plan (DDP) and Bid Documents which include the Terms of Reference (TOR), Invitation to Bid (ITB) and Instructions to Bidders.
15. Finding the TOR for the procurement of power supply in accordance with the comments and recommendations of the DOE and NEA, NEA then issued a Notice to Proceed dated July 19, 2023 including the approved TOR, and Certificate of Posting issued by the DOE dated July 11, 2023, hereto attached as **Annex “ZZ and series”**.
16. Copies of the issued bidding documents are attached as **Annex “AAA and Series”**.

17. With the said Notice to Proceed, the JTPBAC then proceeded with the publication of the ITB in the Philippine Daily Inquirer on July 24, 2023 and July 31, 2023. Likewise, the ITB was posted on the CSP e-based Portal of the DOE website as well as the NEA website. Copies of the pertinent pages of the Philippine Daily Inquirer with the ITB as well as the posting on the CSP e-based Portals of DOE and NEA websites are hereto attached as **Annex “BBB and series” and “CCC and series”**, respectively.
18. Within 14 days from publication and posting, the JTPBAC conducted its Pre-Bid Conference on August 4, 2023 at the Summit Hotel, Tacloban City together with potential bidders and CSP Observers, copies of the attendance sheets are hereto attached as **Annex “DDD to DDD-3”**. Thereafter, several bid and supplemental bid bulletins were issued in the course of the CSP to clarify all queries and concerns raised during the Pre-Bid Conference, copies of the said bid bulletins as well as the Minutes of the Pre-Bid Conference are hereto attached as **Annex “EEE and series”**.
19. Thereafter, the submission and opening of bids were then held on August 31, 2023 with CSP observers. Attached as **Annex “DDD-4 to DDD-10”** are the Invitation to Observers, print-out of emails confirming receipt of the invitation, and copies of the attendance sheets. Attached as **Annex “EEE-3-a”** is the portion of the Minutes showing that representatives from NEA virtually attended the activity.
20. A total of three participants - GNPower Kauswagan Ltd. Co., KEPCO SPC Power Corp., and Sual Power Inc. - purchased bid documents and submitted complete proposals. Copies of their respective Eligibility Requirements and Submission of Bids are hereto attached as **Annex “FFF and series”** and **Annex “GGG and series”**.
21. After careful evaluation, KSPC was found to have submitted the lowest computed bid proposal and was subjected to the next stage of evaluation, which is Post Qualification and Detailed Evaluation of Technical Proposal, wherein it was found to be compliant and responsive to all the specified requirements and conditions. Copies of the Evaluation of Bids are hereto attached as **Annex “HHH and series”**, likewise copies of the JTPBAC Evaluators Report, Evaluators Post-Qualification Report and the Abstract of Bids are hereto attached as **Annex “III to III-2”**.
22. FRECOR 8 then issued a Notice of Award to KSPC which was received by the latter on September 19, 2023, a copy of which is attached as **Annex “JJJ”**, likewise a copy of the Resolution of the JTPBAC recommending the award is hereto attached as **Annex “JJJ-1”**. Attached as **Annex “KKK”** is a timeline of the activities conducted leading to the issuance of a Notice of Award, including the pre-bidding conferences conducted on August 4, 2023.

23. Joint Affidavits of the members of FRECOR 8 on the conduct of the CSP are likewise hereto attached as **Annex “LLL and series”**.
20. Consequently, DORELCO and KSPC executed a Power Supply Agreement (“PSA”), subject of this Joint Application.
21. Thus, this instant Joint Application for the approval of the PSA between DORELCO and KSPC.

SALIENT FEATURES OF THE PSA

22. Salient Features of the PSA.
 - a. Contracted Capacity shall mean a capacity of 5 MW reserved by the seller for DORELCO for the duration of the contract period.
 - b. Contract Period and Effectivity. The Agreement shall take effect immediately from execution date and shall remain in force and effect until December 25, 2026 (the “Contract Period”)
 - c. The obligation of the Seller to supply and deliver the Contracted Capacity shall commence on the date specified on the Initial “Day Ahead Nomination” issued by the Buyer and duly received by the Seller, subject to the provisions of Item 2 of the PSA.
 - d. Effective Date means the date of the execution of the agreement.
 - e. Outages and Replacement Power. The Seller shall guarantee supply and provide the Buyer with the Replacement power sourced from other generating facilities or third parties, including WESM, during Outages of the plant or facility.
 - f. A copy of the Computation of Generation Fee and Contract Price is included in the Power Supply Agreement attached as Annex “A”.
23. Estimated Rate Impact. A Rate Impact Analysis based on the latest available rates for 2024 would show that there would be a decrease in the rates amounting to **P0.1183/kWh** (a decrease from a blended rate of **P6.5126/kWh** to a blended rate of **P6.3943/kWh**). Another Rate Impact Analysis for 2025 would show that there would be a decrease in the rates amounting to **P0.1129/kWh** (a decrease from a blended rate of **P6.4813/kWh** to a blended rate of **P6.3684/kWh**). Another Rate Impact Analysis for 2026 would show that there

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would be a decrease in the rates amounting to **Po.1072/kWh** (a decrease from a blended rate of **P6.4792/kWh** to a blended rate of **P6.3720/kWh**) A copy of the Rate Impact Simulation is hereto attached as **Annex “G”**.

24. Environmental Compliance Certificate (ECC). On 10 September 2007, the Department of Environment and Natural Resources (DENR) has issued ECC Transfer of Ownership in favor of KSPC with ECC No. 0511- 013- 206. A copy of the ECC is hereto attached as **Annex “H”**.
25. Board of Investments (BOI) Certificate. On 8 May 2008, KSPC’s plants located in Naga City, Cebu were registered with BOI with Certificate of Registration No. 2008-088. A copy of the BOI is hereto attached as **Annex “I”**.
26. Certificate of Compliance. The Honorable Commission has issued the Certificate of Compliance (“COC”) with COC no. 24-03-M-00068V dated 26 March 2024, for KSPC’s power plants. A copy of the COC is attached as **Annex “J”**.
27. Certificate of Endorsement. The DOE has issued a Certificate of Endorsement with No. 2022- 04-160 dated 19 April 2022 for KSPC’s plant in barangay Colon, Naga City, Cebu, certifying that the Plant is consistent with the Power Development Plan of the Government. A copy of the Certificate of endorsement is hereto attached as **Annex “K”**.
28. As further support to the instant Joint Application, the Applicants most respectfully submit to the Honorable Commission the following documents in accordance with the Pre-filing Checklist in Resolution No. 38, Series of 2006¹, Rule 20 B Section 2 of the ERC Rules of Practice and Procedures:

ANNEX	DOCUMENTS/ INFORMATION
L	DORELCO ARTICLES OF INCORPORATION
M	DORELCO By-Laws
N	DORELCO Certificate of Franchise
O	DORELCO Verified Certification showing list of Board of Directors
P	DORELCO DSM Certification
Q	DORELCO RCOA Estimated Load
R	DORELCO Write-up on NPC
S	DORELCO Metering Service Agreement with NGCP
T	DORELCO Transmission Service Agreement
U	DORELCO WESM Registration
V	KSPC Articles of Incorporation and By-laws

¹ Resolution No. 38, Series of 2006 – A Resolution Promulgating the Energy Regulatory Commission’s Rules of Practice and Procedure.

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W	KSPC By- Laws
X	KSPC Verified Certification showing list of Board of Directors
Y	Shareholder's Agreement
Z	KSPC General Information Sheet
AA	KSPC Transmission Service Agreement with NGCP
BB	Executive Summary of the DORELCO and KSPC PSA
CC*	KSPC's Financial Model
DD*	Sworn Statement on Fuel Procurement
EE*	Relevant technical and economic characteristics of generation capacity
FF*	KSPC's 2022 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows
GG	KSPC's WESM Registration Approval Form
HH*	KSPC Invoices for VOM
II*	Narrative on Sources of Funds, Generation Rates, Cash Flow
JJ*	Sources of Funds (Certification from Banks and Bank Certification)
KK*	Sources of Funds (Project Cost, ROI, WACC, Life of Asset vs Term of Loan)
LL*, and LL-1*	Fuel Contract, and Amended Fuel Contract
MM*	Derivation of Rates (Excel File)
NN	MEOT Allocation to the generating units
OO	Certifications of Net Heat Rate
PP	NWRB Water Permit
QQ	<p>WRITE UP FOR NON-APPLICABILITY OF DOCUMENTS (KSPC):</p> <ul style="list-style-type: none"> ● Renewable Energy Service Contract ● Certificate of Registration or Certification of Commerciality by an RE Developer and after due confirmation by the DOE ● Requirements under emergency procurement ● BIR Receipts

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	<ul style="list-style-type: none"> • Seller’s Receipts • Purchase Orders with Annotation of Acceptance or Transfers • Deeds of Sale and other Other Forms of Conveyance of Ownership • Potential Cost (absolute amounts and PhP/kWh) of Ancillary Services as and when the IPP or the DU is connected to the main grid. • Basis/rationale/derivation of Other Charges such as replacement, start-up, pre-commercial, and ancillary costs. • Distribution Wheeling Service Agreement
RR	DORELCO Certificate of Email Registration
SS	KSPC Certificate of Email Registration
TT	DORELCO DDP
UU	DORELCO PSPP
VV	Power Bill

*Subject to the Motion For Confidential Treatment of Information

ALLEGATIONS IN SUPPORT OF THE MOTION FOR CONFIDENTIAL TREATMENT OF INFORMATION

29. Section 1, Rule 4, of the ERC Revised Rules of Practice and Procedure provides that a party to a proceeding before the Honorable Commission may move for information to be treated as confidential.
30. KSPC prays that the information contained in the documents attached as Annexes “CC”, “DD”, “EE”, “FF”, “HH”, “II”, “JJ”, “KK”, “LL”, and “MM” be treated as confidential and that the same be continuously protected from public disclosure, except to the officers and staff of the Honorable Commission. In particular, these are the documents for which confidential treatment is sought as they contain trade secrets and/or commercially-sensitive data about KSPC’s plant operations and pricing strategies:

ANNEX	DOCUMENT
CC	KSPC’s Financial Model
DD	Sworn Statement on Fuel Procurement
EE	Relevant technical and economic characteristics of generation capacity
FF	KSPC’s 2022 Audited Financial Statements (AFS), Balance Sheet, Income Statement, and Statement of cash Flows
HH	KSPC Invoices for VOM

II	Narrative on Sources of Funds, Generation Rates, Cash Flow
JJ	Sources of Funds (Certification from Banks and Bank Certification)
KK	Sources of Funds (Project Cost, ROI, WACC, Life of Asset vs Term of Loan)
LL, and LL-1	Fuel Contracts
MM	Derivation of Rates (Excel File)

31. The competitors of KSPC will gain undue advantage and use the information in their own operation, if they obtain the information provided in the documents requested to be confidential.

ALLEGATIONS IN SUPPORT OF THE MOTION FOR PROVISIONAL AUTHORITY

32. DORELCO and KSPC replead, by reference, all the foregoing allegations.
33. DORELCO and KSPC pray for the issuance of a provisional authority prior to final decision pursuant to *Section 1, Rule 14* of the *ERC Revised Rules of Practice and Procedure*, which provides:

Section 1. Provisional Authority or Interim Relief. – For applications or petitions covered by Section 1, Rule 6 of these Rules, the Commission may grant either a provisional authority or an interim relief, upon motion included in the application or petition and indicated in the caption thereof that such relief is requested x x x.

34. In view of the foregoing, there is a need for the issuance of a Provisional Authority in the meantime that this Joint Application is still pending evaluation and resolution of Honorable Commission, for the immediate implementation of this PSA for the benefit of LEYECO II's member consumers.

PRAYER

WHEREFORE, the foregoing premises considered, it is respectfully prayed that this Honorable Commission:

1. Give due course to the instant application.
2. Issue an Order:
 - a. Treating the Confidential Documents and the information contained therein as confidential
 - b. Directing their non-disclosure pursuant to Rule 4 of the ERC Rules, and
 - c. Prescribing guidelines for the protection of the said documents.
3. Upon initial review of this Application and pending hearing on the merits, issue an Order provisionally

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approving the PSA between DORELCO and KSPC, thereby authorizing KSPC to charge and collect from DORELCO electricity fees based on rates that this Honorable Commission may provisionally approve, and authorizing DORELCO to pass the full amount thereof to its customers; and.

4. After trial on the merits, issue a Decision approving the PSA, thereby confirming the compliance by DORELCO and KSPC to the rules governing power supply, and further confirming the effective rate charged, collected, and paid in connection with this PSA.
5. To authorizing KSPC to charge and collect from DORELCO the electricity fees based on the final rates approved by this Honorable Commission, and authorizing DORELCO to pass the full amount thereof to its customers.

Other relief and remedies consistent with law, justice, and equity are likewise prayed for.

The Commission hereby sets the instant *Joint Application* for determination of compliance with the jurisdictional requirements, expository presentation, Pre-trial Conference, and presentation of evidence on the following dates and online platforms for the conduct thereof, pursuant to Resolution No. 09, Series of 2020² and Resolution No. 01, Series of 2021³ (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
08 April 2025 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)	Microsoft Teams or Zoom Application	Determination of compliance with jurisdictional requirements and Expository Presentation
15 April 2025 (Tuesday) at two o'clock in the afternoon (2:00 P.M.)		Pre-trial Conference and Presentation of Evidence

² A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

³ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Accordingly, DORELCO and KSPC are hereby directed to host the virtual hearings at **DORELCO's principal office located at Brgy. San Roque, Tolosa, Leyte**, as the designated venue for the conduct thereof, and ensure that the same is open to the public and the community quarantine guidelines are observed at all times. Moreover, DORELCO and KSPC shall guarantee that, during the conduct of the expository presentation, the participation of the public shall not be impaired.

Any interested stakeholder may submit its comments and/or clarifications at **least one (1) calendar day** prior to the scheduled initial virtual hearing, via electronic mail (e-mail) at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph. The Commission shall give priority to the stakeholders who have duly submitted their respective comments and/or clarifications, to discuss the same and propound questions during the course of the expository presentation.

Moreover, all persons who have an interest in the subject matter of the instant case may become a party by filing with the Commission via e-mail at docket@erc.ph, and copy furnishing the Legal Service through legal@erc.ph, a verified Petition to Intervene at **least five (5) calendar days** prior to the date of the initial virtual hearing. The verified Petition to Intervene must follow the requirements under Rule 9 of the ERC Revised Rules of Practice and Procedure, indicate therein the docket number and title of the case, and state the following:

- 1) The petitioner's name, mailing address, and e-mail 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.

Likewise, all other persons who may want their views known to the Commission with respect to the subject matter of the case may file through e-mail at docket@erc.ph, and copy furnish the Legal Service through legal@erc.ph, their Opposition or Comment thereon at **least five (5) calendar days** prior to the initial virtual hearing. Rule 9 of the ERC Revised Rules of Practice and Procedure shall govern. No

particular form of Opposition or Comment is required, but the document, letter, or writing should contain the following:

- 1) The name, mailing address, and e-mail address of such person;
- 2) A concise statement of the Opposition or Comment; and
- 3) The grounds relied upon.

All interested parties filing their Petition to Intervene, Opposition or Comment are required to submit the hard copies thereof through personal service, registered mail or ordinary mail/private courier, **within five (5) working days** from the date that the same were electronically submitted, as reflected in the acknowledgment receipt e-mail sent by the Commission.

Any of the persons mentioned in the preceding paragraphs may access the copy of the *Joint Application* on the Commission's official website at www.erc.gov.ph.

Finally, all interested persons may be allowed to join the scheduled initial virtual hearings by providing the Commission, thru legal.virtualhearings@erc.ph, their respective e-mail addresses and indicating therein the case number of the instant *Joint Application*. The Commission will send the access link/s to the aforementioned hearing platform within five (5) working days prior to the scheduled hearings.

WITNESS, the Honorable Chairperson and CEO **MONALISA C. DIMALANTA** and the Honorable Commissioners **ALEXIS M. LUMBATAN**, **CATHERINE P. MACEDA**, **FLORESINDA G. BALDO-DIGAL**, and **MARKO ROMEO L. FUENTES**, Energy Regulatory Commission, this 26th December 2024 in Pasig City.


ATTY. KRISHA MARIE T. BUELA
Director III, Legal Service