

Republic of the Philippines  
**ENERGY REGULATORY COMMISSION**  
Pasig City

**IN THE MATTER OF THE  
APPLICATION FOR  
APPROVAL OF THE POWER  
SUPPLY AGREEMENT  
BETWEEN THERMA LUZON  
INC. (TLI) AND KALINGA-  
APAYAO ELECTRIC  
COOPERATIVE, INC.  
(KAELCO), WITH PRAYER  
FOR PROVISIONAL  
AUTHORITY OR INTERIM  
RELIEF AND MOTION FOR  
CONFIDENTIAL  
TREATMENT OF  
INFORMATION,**

**ERC CASE NO. 2025-076 RC**

**THERMA LUZON INC. (TLI)  
AND KALINGA-APAYAO  
ELECTRIC COOPERATIVE,  
INC. (KAELCO),**

*Applicants.*

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**Promulgated:**  
May 02, 2025

**NOTICE OF VIRTUAL HEARING**

**TO ALL INTERESTED PARTIES:**

Notice is hereby given that on 26 March 2025, Therma Luzon Inc. (TLI) and Kalinga-Apayao Electric Cooperative, Inc. (KAELCO) filed a *Joint Application*, dated 24 February 2025, seeking the Commission’s approval of their Power Supply Agreement (PSA), with motion for confidential treatment of information and prayer for provisional authority or interim relief.

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

**PARTIES**

1. Applicant KAELCO is an electric cooperative duly organized and existing under and by virtue of the laws of the Philippines, particularly Presidential Decree No. 269 (P.D. 269), as amended, and other laws of the Republic of the Philippines, with principal address at Callagdao, Bulanao, Tabuk City, Kalinga.
2. KAELCO is a duly franchised electric cooperative engaged in distribution of light and power within its franchise area covering the City of Tabuk, and the municipalities of Balbalan, Lubuagan, Pasil, Pinukpuk, Tanudan, Tinglayan and Rizal, all in the province of Kalinga; and the municipalities of Calanasan, Conner and Kabugao, all in the province of Apayao.
3. Applicant TLI is a private corporation duly organized and existing under and by virtue of the laws of the Philippines, with principal office at NAC Tower, 32nd Street, Bonifacio Global City, Taguig City. TLI is the Independent Power Producer Administrator (IPPA) for the 700 MW capacity from the Pagbilao Coal Fired Thermal Power Plant (Power Plant) pursuant to and in accordance with its IPPA Agreement with the Power Sector Assets and Liabilities Management Corporation (PSALM) with the conformity of the National Power Corporation (NPC). As such, TLI has the right to trade, sell, or deal with the 700 MW capacity of the said Power Plant.
4. Applicants may be served with notices, orders, and other processes of this Honorable Commission through their respective counsel at the addresses indicated below.

**NATURE OF THE APPLICATION**

5. The instant *Joint Application* for approval of the *Power Supply Agreement* entered into by and between the Joint Applicants dated 03 February 2025 (the PSA) is being submitted to the Honorable Commission for its review and approval pursuant to Sections 25<sup>1</sup> and 45(b)<sup>2</sup> of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (EPIRA), Rule 20(B) of the Honorable Commission's Resolution No. 01, Series of 2021 (ERC RRPP),<sup>3</sup> and Article VIII of the Honorable Commission's Resolution No. 16, Series of 2023<sup>4</sup> (2023 CSP Guidelines).

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<sup>1</sup> SEC.25. Retail Rate. – The retail rates charged by distribution utilities for the supply of electricity in their captive market shall be subject to regulation by the ERC based on the principle of full recovery of prudent and reasonable economic costs incurred, or such other principles that will promote efficiency as may be determined by the ERC.

<sup>2</sup> Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC: xxx.

<sup>3</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

<sup>4</sup> Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements Entered Into by Distribution Utilities for the Supply of Electricity To Their Captive Market.

6. Section 23 of the EPIRA mandates that a distribution utility has the obligation to supply electricity in the least cost manner to its captive market, subject to collection of retail rate duly approved by this Honorable Commission. In relation to this, Section 45 (b) of the EPIRA expressly allows distribution utilities to enter into bilateral power supply contracts subject to the review of this Honorable Commission. It is consistent with the State's policy to ensure the quality, reliability, security, and affordability of the supply of electric power.<sup>5</sup>
7. The subject PSA was procured through a Joint Competitive Selection Process (CSP) conducted by the National Electrification Administration (NEA), in accordance with Article 13.1 of the NEA Memorandum No. 2023-057 (NEA 2023 CSP Guidelines), consistent with Section 5.4 of the Department of Energy (DOE) Circular No. DC2023-06-0021 (DOE 2023 CSP Policy), whereby NEA is allowed to undertake the CSP on behalf of the Electric Cooperative (EC) in case the latter requests the NEA's assistance or is unable to complete its CSP one (1) year before the scheduled date as indicated in the Power Supply Procurement Plan (PSPP), and the 2023 CSP Guidelines.

#### STATEMENT OF FACTS

##### COMPETITIVE SELECTION PROCESS

8. The NEA 2023 CSP Guidelines were issued by the NEA pursuant to the DOE 2023 CSP Policy and in support of the Honorable Commission's 2023 CSP Guidelines, as it applies to the conduct of the CSPs for ECs.
  - 8.1. Article 13.1 of the NEA 2023 CSP Guidelines, consistent with Section 5.4 of the DOE 2023 CSP Policy, provides that if an EC requests assistance from the NEA or fails to complete the CSP at least one (1) year before the scheduled date in the PSPP, the NEA shall undertake or continue the CSP on their behalf.
9. The aggregation of Region 1, Cordillera Administrative Region ECs, including KAELCO, and SORECO 1 (collectively known as R1+CAR+S1 Aggregation) initiated the conduct of CSP for the procurement of their power supply. However, this CSP failed and did not result in the execution of any agreement.
10. Pursuant to the NEA 2023 CSP Guidelines, and in view of the aggregation of Luzon ECs' failure to complete the CSP at least one (1) year before the scheduled date in the PSPP, NEA intervened and conducted the joint CSP for the procurement of power supply of the aggregation of Luzon ECs.
11. The joint CSP conducted by NEA followed the policy and rules prescribed under the above-mentioned issuances of the DOE, NEA, and this Honorable Commission.

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<sup>5</sup> EPIRA, Sec. 2 (b).

12. The NEA issued NEA Office Order No. 2024-134, as amended by NEA Office Order No. 2024-276, creating a Special Bids and Awards Committee (NEA-SBAC) to conduct the CSP for the procurement of power supply for the aggregation of Luzon ECs who have not yet commenced their respective CSPs within one (1) year before the expiration of their current and subsisting PSAs or projected increase in demand based on their latest and posted PSPP. Applicant KAELCO is a member EC<sup>6</sup> of the said aggregation of Luzon ECs.
13. On 12 August 2024, the NEA issued *Certificate of Conformity No. NEA-RAO-COC-2024-10* stating that:

“This is to certify that the contract quantities and cooperation periods for the Competitive Selection Process (CSP) of the Luzon EC Aggregation power supply requirement are consistent with the latest posted 2024-2033 Power Supply Procurement Plans.”
14. Accordingly, the NEA-SBAC commenced and conducted the Joint CSP for the procurement of the aggregated baseload supply of the member ECs of the said aggregation of Luzon ECs, including applicant KAELCO. A *CSP Report* prepared by the NEA-SBAC is attached hereto as Annex “MM-1”. A summary of the key dates and events of the Joint CSP is provided below:
  - 14.1. The *Invitation to Bid* for the Joint CSP was published in the Philippine Daily Inquirer newspaper on 17 August 2024 and 24 August 2024. Six (6) prospective bidders manifested their intention to participate in the Joint CSP, namely: Masinloc Power Co. Ltd., Sual Power Inc., Therma Visayas Inc., AP Renewables Inc., GN Power Dinginin Ltd. Co., and applicant TLI.
  - 14.2. On 30 August 2024, Invitations to CSP Observers were sent inviting certain groups to participate as CSP Observers in the Pre-Bid Conference, including the DOE, consumer representatives, community representatives, interested civil society organizations and consumers, and the regional development council for Luzon.
  - 14.3. On 12 September 2024, the Pre-Bid Conference for the Joint CSP was held at the Honesty, Efficiency and

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<sup>6</sup> The Member ECs refer to the ECs included in the aggregation of Luzon ECs for the conduct of NEA’s Joint CSP, namely: Albay Electric Cooperative Inc., Benguet Electric Cooperative, Camarines Sur I Electric Cooperative Inc., Camarines Sur II Electric Cooperative Inc., Central Pangasinan Electric Cooperative Inc., Ilocos Norte Electric Cooperative Inc., Ilocos Sur Electric Cooperative Inc., Isabela I Electric Cooperative Inc., Isabela II Electric Cooperative, Kalinga-Apayao Electric Cooperative Inc., Mountain Province Electric Cooperative Inc., Nueva Ecija II Electric Cooperative Inc. – Area 2, Pangasinan III Electric Cooperative, Pampanga I Electric Cooperative Inc., Pampanga Rural Electric Service Cooperative Inc., Sorsogon I Electric Cooperative Inc., Tarlac I Electric Cooperative Inc., and Tarlac II Electric Cooperative Inc.

Solidarity Auditorium 2nd Floor, NEA Building, 57 NIA Road, Government Center, Diliman, Quezon City (the “NEA HESA”). The Pre-Bid Conference was attended by the NEA-SBAC, NEA SBAC Technical Working Group (TWG), NEA-SBAC Secretariat, CSP Observers, and the six (6) prospective bidders, including applicant TLI.

14.4. The following Bid Bulletins (“BB”) were issued by the NEA-SBAC throughout the Joint CSP process:

BB No.	Date Issued	Description
1	04 September 2024	Announcing the venue of the Pre-Bid Conference, among others.
2	14 October 2024	Announcing the revised schedule of the succeeding bidding activities for the Joint CSP.
3	15 October 2024	Providing official responses to bidder inquiries and issuing the revised transaction documents.
4	06 November 2024	Announcing the revised schedule of bidding activities, setting the bid submission, opening, and evaluation for 03 December 2024.
5	14 November 2024	Addressing further bidder queries and issuing the final terms of reference and final transaction documents.
6	20 November 2024	Change of venue for the submission, opening, and evaluation of bids.
7	26 November 2024	Correcting Schedule 13 (Technical Bid Form 2) of the final transaction documents.

These BBs were also posted on the NEA website.

- 14.5. On 03 December 2024, the bid submission date, Sual Power, Inc., Masinloc Power Co. Ltd., and applicant TLI timely submitted their proposals. Therma Visayas, Inc., AP Renewables, Inc., and GNPower Dinginin Ltd. Co. submitted letters withdrawing participation from the Joint CSP. These letters were read aloud at the start of the bid opening process.
- 14.6. On the same date, the respective proposals of Sual Power, Inc., Masinloc Power Co. Ltd., and applicant TLI were evaluated based on the parameters outlined in the final transaction documents issued by the NEA-SBAC, with applicant TLI emerging as one of two (2) bidders with the Lowest Calculated Bid for 50% of the aggregated contract capacity of the Member ECs.
- 14.7. The post-qualification process was conducted from 04 to 06 December 2024. On 17 December 2024, NEA-SBAC TWG submitted its report dated 16 December 2024 to the NEA-SBAC confirming the authenticity,

validity, and accuracy of applicant TLI's submitted legal, technical, and financial documents. The NEA-SBAC TWG recommended the declaration of applicant TLI as one of two (2) bidders with the lowest calculated bid for the Joint CSP.

- 14.8. On 19 December 2024, the NEA-SBAC issued Resolution No. 04, series of 2024, declaring applicant TLI as one of the two Lowest Calculated and Responsive Bidders and awarding it 50% of the aggregated contract capacity of the Member ECs. In accordance with NEA Memorandum 2023-057, the NEA-SBAC endorsed the said resolution to the NEA Office of the Administrator for the issuance of a Notice of Award in favor of TLI.
- 14.9. The Notice of Award was issued by NEA and accepted by TLI on 27 December 2024.
- 14.10. On 29 January 2025, the duly authorized representatives of the Member ECs submitted the finalized PSA with TLI to the NEA-SBAC for approval.
- 14.11. On 31 January 2025, the NEA issued the Notice to Execute Agreement, directing the Member ECs to execute the NEA-approved PSAs within three (3) calendar days or until 03 February 2025.
- 14.12. On 03 February 2025, in compliance with the Notice to Execute Agreement issued by NEA,<sup>7</sup> Joint Applicants KAELCO and TLI executed the PSA, subject of this instant *Joint Application*, for a contracted capacity of 3 MW, with supply commencing on the later of either: (a) 26 December 2024; or (b) the next immediate 26th day of the month following the ERC's issuance of a Provisional Authority or Interim Relief (as applicable) or Final Authority (if neither Provisional Authority or Interim Relief was issued by the ERC) for the implementation of this Agreement.
- 14.13. Notably, since the PSA was a result of a joint CSP conducted by NEA itself, and the PSA being subject to a separate review by the NEA, it may be presumed that the subject PSA, including all terms and conditions therein, is in accordance with all the relevant policies and rules of the DOE, NEA, and the Honorable Commission.
15. Hence, this instant *Joint Application* for the approval of the PSA between KAELCO and TLI.

#### SALIENT TERMS OF THE PSA

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<sup>7</sup> Annex "MM-23"

16. The PSA between KAELCO and TLI, a copy of which is attached as Annex “A”, contains the following salient features:
- 16.1. Contract Term. This Agreement shall take effect immediately from Effective Date, and from such date shall remain in force and effect for fifteen (15) years from Delivery Date unless sooner terminated in accordance with this Agreement and upon approval by the ERC.
- 16.2. Delivery Date. TLI shall commence delivery of the Contract Capacity to KAELCO on Delivery Date. The Delivery Date shall be the later of either: (a) 26 December 2024 or (b) the next immediate 26th day of the month following the ERC’s issuance of a Provisional Authority or Interim Relief (as applicable) or Final Authority (if neither Provisional Authority or Interim Relief was issued by the ERC) for the implementation of this Agreement.
- 16.3. Contract Capacity. Beginning on the Delivery Date until the termination or expiration of the PSA, TLI shall supply and deliver Contract Capacity to KAELCO at the Delivery Point, and shall purchase and pay TLI the Contract Capacity as provided in Table 1:

Table 1

CY	26 Dec to 25 Jan	26 Jan to 25 Feb	26 Feb to 25 Mar	26 Mar to 25 Apr	26 Apr to 25 May	26 May to 25 Jun	26 Jun to 25 Jul	26 Jul to 25 Aug	26 Aug to 25 Sep	26 Sep to 25 Oct	26 Oct to 25 Nov	26 Nov to 25 Dec
2025	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2026	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2027	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2028	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2029	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2030	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2031	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2032	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2033	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2034	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2035	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2036	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2037	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2038	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
2039	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00

In the event that the Delivery Date does not coincide with the Target Date and that said Delivery Date is delayed by a certain number of Billing Period/s, such number of Billing Period/s of delay shall extend the last Billing Period contained in the table above by the same

number of Billing Period/s; provided that the Contract Capacity for such extended Billing Period/s shall be exactly the same Contract Capacity for the same Billing Period/s of the previous Contract Year.

KAELCO shall be allowed to nominate the entire Contract Capacity but is only obliged to utilize the Contract Capacity at the 65% Monthly Minimum Capacity Utilization Factor ("CUF") for every Billing Period.

Notwithstanding the 65% Monthly Minimum CUF, TLI must make available for dispatch the Contract Capacity.

KAELCO's Minimum Hourly Nomination shall be 35% of the Contracted Capacity for the Billing Period except in cases of Force Majeure Event.

Should KAELCO fail to dispatch TLI at the Monthly Minimum CUF for a Billing Period, and TLI has made the same available for dispatch, KAELCO shall pay TLI the  $CRR_{CUF}$  and  $FOMR_{CUF}$  for the equivalent associated energy at 65% CUF level. The formula to calculate the equivalent associated energy is found in SCHEDULE 7 of the PSA.

- 16.4. Scheduled and Unscheduled Outage. TLI shall have an outage allowance for each Contract Year not exceeding:

Scheduled Outages: Zero (0) hours  
Unscheduled Outages: Zero (0) hours.

- 16.5. Replacement Power. The procurement of any Replacement Power shall be the responsibility of TLI and TLI shall charge KAELCO for the Replacement Power pursuant to Section 10.3.1 of the KAELCO-TLI PSA.

- 16.6. Payment of Fees. Commencing on Delivery Date and throughout the entire Term, KAELCO shall pay to TLI each Billing Period an amount equal to the Monthly Payment in accordance with SCHEDULE 7 (Monthly Payment, Indexation and Adjustment) of the KAELCO-TLI PSA.

There shall be no offsetting of payment between KAELCO and TLI unless expressly provided for in the KAELCO-TLI PSA.

There shall be no withholding of disputed amounts, except in cases of inadvertent errors in



the amount or inadvertent errors in calculating the applicable rate.

If an invoice is not disputed by KAELCO within sixty (60) Business Days of receipt or if the payment is not disputed by TLI within thirty (30) Business Days of receiving payment from KAELCO, the invoice and payment shall be deemed accepted, final, and binding on TLI or KAELCO, as applicable.

- 16.7. Billing to KAELCO. Within ten (10) Business Days from the end of each Billing Period commencing on Delivery Date, TLI shall deliver to KAELCO the Seller Invoice setting forth the amount that is due to TLI for the preceding Billing Period.

TLI shall send the Seller Invoice electronically through KAELCO’s designated electronic mail (e-mail) addresses.

The Parties shall make the necessary adjustments, if necessary, for the TLI Invoice covering the first and last Billing Periods.

- 16.8. Monthly Payment. Refers to the amount collectible from KAELCO for supply of electricity for each Billing Period, to be computed in accordance with Schedule 7 (Monthly Payment, Indexation and Adjustment) of the KAELCO-TLI PSA, *to wit*:

SCHEDULE 7

Total Generation Charge

$$Total\ Generation\ Charge = CRF_{CUF} + FOMF_{CUF} + VOMF + FC + VAT$$

- A. Capital Recovery Fee (CRF)

The  $CRF_{CUF}$  shall be calculated as the product of the Capital Recovery Rate (“ $CRR_{CUF}$ ”), in PhP/kWh, and the actual energy delivered from the Facility during the Billing Period or the equivalent associated energy based on the Monthly Minimum CUF, whichever is higher.

$$CRF_{CUF} = CRR_{CUF} \times \max(AED_t, AE_t)$$

$$CRR_{CUF} = \frac{CRR_{100\%CUF}}{CUF_t}$$

$CRF_{CUF}$	Corresponding $CRF_{CUF}$ to calculate the Total Generation Charge, expressed in Php
$CRR_{CUF}$	Billing Determinant to calculate $CRF_{CUF}$ , expressed in Php/kWh, for a Billing Period
$CRR_{100\%CUF}$	Corresponding CRR at 100% CUF, which is 1.8192 Php/kWh. For reference, see Table 1 for the CRR per CUF.*
$CUF_t$	Actual CUF for a Billing Period $t$ . The CUF shall be calculated in accordance with the formula below:
$AE_t$	Associated Energy based on the Minimum CUF in kWh for a Billing Period
$AED_t$	Actual Energy Delivered from the Facility during the Billing Period in kWh

\*Table 1 is for reference only. The applicable  $CRR_{CUF}$  for the Billing Period shall be calculated in accordance with the formula above.

Table 1: Capital Recovery Rate per Capacity Utilization

Capacity Utilization Factor, %	CRR, Php/kWh
100%	1.8192
99%	1.8376
98%	1.8563
97%	1.8755
96%	1.8950
95%	1.9149
94%	1.9353
93%	1.9561
92%	1.9774
91%	1.9991
90%	2.0213
89%	2.0440
88%	2.0673
87%	2.0910
86%	2.1153
85%	2.1402
84%	2.1657
83%	2.1918
82%	2.2185
81%	2.2459
80%	2.2740
79%	2.3028
78%	2.3323
77%	2.3626
76%	2.3937
75%	2.4256
74%	2.4584
73%	2.4921
72%	2.5267
71%	2.5623
70%	2.5989
69%	2.6365
68%	2.6753
67%	2.7152
66%	2.7564
65%	2.7988

$$CUF = \frac{Q_t}{CC \times (H_T - H_O - H_{FM})}$$

Where

CUF	Capacity Utilization Factor
$Q_t$	Total Energy delivered in kWh, not exceeding the corresponding Contract Capacity, during the Billing Period, or the equivalent associated energy based on the Monthly Minimum CUF, whichever is higher.
CC	Contracted Capacity for the current Billing Period in kW as indicated in Schedule 2
$H_T$	Total number of hours in the Billing Period
$H_O$	Zero (0) for each Billing Period, as TLI has no Outage Allowance
$H_O$	The Equivalent Hours of Force Majeure in the Billing Period

The formula to calculate the  $H_{FM}$  shall be:

$$H_{FM} = \sum_{i=1}^n \left(1 - \frac{\text{Seller BCQ day after}}{CC}\right)$$

Where:

n – Total number of Hours in a Billing Period

Formula to calculate the  $Q_t$  :

$$Q_t = \max (AE_t, TED_t)$$

$$AE = 65\% \times CC \times (H_T - H_O - H_{FM})$$

Where:

$AE_t$	As previously defined
CC	As previously defined
$H_T$	As previously defined
$H_O$	As previously defined
$H_{FM}$	As previously defined
$TED_t$	Total Energy Delivered, which is Actual Energy Delivered from the Facility and replacement power energy, during the Billing Period in kWh

B. Fixed Operation and Maintenance Fee (FOMF)

The  $FOMF_{CUF}$  shall be calculated as the product of the Fixed Operation and Maintenance Rate (“ $FOMR_{CUF}$ ”), in PhP/kWh, and the actual energy delivered from the Facility during the Billing Period or the equivalent associated energy based on the Monthly Minimum CUF, whichever is higher.

$$FOMF_{CUF} = FOMR_{CUF} \times \max(AED_t, AE_t)$$

$$FOMR_{CUF} = \frac{FOMR_{100\%CUF}}{CUF_t} \times \left( \frac{PHCPI_{n-1}}{PHCPI_0} \right)$$

FOMF <sub>CUF</sub>	Corresponding FOMF <sub>CUF</sub> to calculate the Total Generation Charge, expressed in Php
FOMR <sub>CUF</sub>	Billing Determinant to calculate FOMF <sub>CUF</sub> , expressed in Php/kWh, for a Billing Period
AE <sub>t</sub>	As previously defined
AED <sub>t</sub>	As previously defined
FOMR <sub>100%CUF</sub>	Corresponding FOMR at 100% CUF, which is 0.6575 Php/kWh. For reference, see Table 2 for the value of FOMR per CUF.*
PHCPI <sub>0</sub>	Philippine Consumer Price Index (PHCPI) for All Income Households by Commodity Group (2018=100), September 2024, equivalent 126.3000
PHCPI <sub>n-1</sub>	Philippine Consumer Price Index (PHCPI) for All Income Households by Commodity Group (2018=100), for the month preceding the Billing Period

\*Table 2 is for reference only. The applicable FOMR<sub>CUF</sub> for the Billing Period shall be calculated in accordance with the formula above.

Table 2: Fixed Operations and Maintenance Rate per Capacity Utilization

Capacity Utilization Factor, %	FOMR, Php/kWh
100%	0.6575
99%	0.6641
98%	0.6709
97%	0.6778
96%	0.6849
95%	0.6921
94%	0.6995
93%	0.7070
92%	0.7147
91%	0.7225
90%	0.7306
89%	0.7388
88%	0.7472
87%	0.7557
86%	0.7645
85%	0.7735
84%	0.7827
83%	0.7922
82%	0.8018
81%	0.8117
80%	0.8219
79%	0.8323
78%	0.8429
77%	0.8539
76%	0.8651
75%	0.8767
74%	0.8885
73%	0.9007
72%	0.9132
71%	0.9261
70%	0.9393
69%	0.9529
68%	0.9669
67%	0.9813
66%	0.9962
65%	1.0115

Notes:

- a. If the PHCPI to be used in for the Billing Period is not published and available, within the two days from the end of the Billing Period, the most recent available published index shall be used. Once the appropriate PHCPI is published or made available, the parties shall adjust the affected rate accordingly.
- b. If the source of any of the foregoing indices is no longer available or has not been published or available for a prolonged period, the replacement index shall be agreed upon by the Buyer and Seller.
- c. If any of the foregoing indices are re-based during the duration of this Agreement, the Seller shall apply the corresponding adjustment as published by the Philippine Statistics Authority to the inflation formula to conform with the re-basis of the subject indices, which must still coincide with the indices set forth in this Agreement.

C. Variable Operation and Maintenance Fee (“VOMF”)

The VOMF shall be calculated as the product of the Variable Operation and Maintenance Rate (“VOMR”), in PhP/kWh, and the actual energy delivered for the Billing Period.

$$VOMF = VOMR_t \times AED_t$$

$$VOMR_t = VOMR_{Base} \times \left( \frac{PHCPI_{n-1}}{PHCPI_0} \right)$$

VOMF	Corresponding VOMF to calculate the Total Generation Charge, expressed in Php
$VOMR_t$	Billing Determinant to calculate VOMF, expressed in Php/kWh, for a Billing Period
$AED_t$	As previously defined
$VOMR_{Base}$	Corresponding VOMR at 0.1851 Php/kWh
$PHPCPI_0$	As previously defined
$PHPCPI_{n-1}$	As previously defined

Notes:

- a. If the PHCPI to be used in for the Billing Period is not published and available, within the two days from the end of the Billing Period, the most recent available published index shall be used. Once the appropriate PHCPI is published or made available, the parties shall adjust the affected rate accordingly.
- b. If the source of any of the foregoing indices is no longer available or has not been published or available for a prolonged period, the replacement index shall be agreed upon by the Buyer and Seller.
- c. If any of the foregoing indices are re-based during the duration of this Agreement, the Seller shall apply the corresponding adjustment as published by the Philippine Statistics Authority to the inflation formula to conform with the re-basis of the subject indices, which must still coincide with the indices set forth in this Agreement.

D. Fuel Cost (“FC”)

The FC shall be calculated as follows:

$$FC = \left( \frac{FP_t \times FCR_t \times FX_m}{1000} \right) \times AED_t$$

$$FP_t = FCC + NFCC + \text{Applicable Taxes}$$

Where:

F <sub>Pt</sub>	Applicable Fuel Price for a Billing Month, expressed in Php
F <sub>CC</sub>	Fuel Commodity Cost in USD/MT calculated using the formula below:  $75\% \times \left\{ 91.1411 \times \left[ \left( \frac{NFI\ 1_{3m\ avg}}{NFI\ 1_o} \right) \right] \right\} +$ $25\% \times \left\{ 72.3500 \times \left[ \left( \frac{NFI\ 2_{3m\ avg}}{NFI\ 2_o} \right) \right] \right\}$
NFI 1 <sub>3m avg</sub>	the average value for the three (3) months preceding the Billing Period for which the Invoice is being prepared of the Indonesian Coal Index 2 (5800 GAR / 5500 NAR) as published by the Argus/Coalindo for Indonesian Coal Index Report, in USD/MT
NFI 2 <sub>3m avg</sub>	the average value for the three (3) months preceding the Billing Period for which the Invoice is being prepared of the Indonesian Coal Index 3 (5000 GAR / 4600 NAR) as published by the Argus/Coalindo for Indonesian Coal Index Report, in USD/MT
NFI 1 <sub>o</sub>	Value of Indonesian Coal Index 2 (5800 GAR / 5500 NAR) for the month of September 2024, which is 92.7400, in USD/MT
NFI 2 <sub>o</sub>	Value of Indonesian Coal Index 3 (5000 GAR / 4600 NAR) for the month of September 2024, which is 72.3500, in USD/MT
NFCC	Weighted average of the actual freight, insurance, stevedoring, BOC Charges, Ferry Services, Terminal Fee, Letter of Credit Charges, Draft Survey Fee, Sampling Fee, Analysis Fee, and Service Fee that the Seller needs to recover as part of its Non-Fuel Commodity Cost for the corresponding shipments used in the current Billing Period, in USD/MT. The Seller shall bill, as Terminal Fees per shipment, the actual cost of the Terminal Fees, with the cost being subject to a cap of PhP 250,000.00 per shipment. Except for applicable taxes, Seller can only recover the NFCC items listed above and shall submit to Buyer proof of actual costs in the form of official invoices and supporting documents.
F <sub>X<sub>m</sub></sub>	the monthly average of the PHP/USD exchange rate for the month (i.e., first until last day of the month) for which the invoice is being prepared, as published in the Bangko Sentral ng Pilipinas website
Applicable taxes	Applicable taxes relating to FC

In the event that revisions are made on the above indices, including any shift made in the base year and other adjustments to such index made by the relevant authorized entity, its successor-in-interest, there shall be a corresponding change in the base index such that the use of the revised index will yield the equivalent values as the use of the original base index.

In the event that the index (a) becomes unavailable, (b) is replaced by a new benchmark rate as determined by the relevant authorized entity, its successor-in-interest, or (c) ceases to exist, the Parties shall agree to adopt a new price index.

The  $FP_t$  to be billed by Seller shall be the lower between:

- 1. The sum of the (i) resulting value using the Fuel Commodity Cost Formula and (ii) the Non-Fuel Commodity Cost; or
- 2. The actual fuel price as billed by the fuel supplier/s (i.e., supported by actual invoices) for the relevant Billing Period.

For this purpose, the Seller’s Invoice shall include the relevant fuel supplier’s invoice, certified by Seller, which will detail the actual fuel cost incurred to produce the delivered energy to Buyer. If any index or indices are used, the Seller must provide the Buyer with a screen/snapshot of the relevant excerpt of the actual published price from the index provider for the applicable period. The Seller shall attach the monthly fuel inventory report submitted to the DOE.

Buyer reserves the right to refuse payment of the Fuel Cost if Seller fails to provide either the fuel supplier’s invoice or the monthly inventory report referred to above.

AED <sub>t</sub>	As previously defined
FCR	<p>The computed Fuel Consumption Rate (FCR) or the actual plant FCR for the relevant Billing Period, whichever is lower, in kg/kWh. If the CUF is a whole number, the computed FCR is set forth in the table below:</p> <p>If the CUF is not a whole number, the formula to determine the computed FCR shall be:</p> $\frac{(FCR_{CUF2}-FCR_{CUF1}) \times (CUF - CUF1)}{(CUF2-CUF1)} + FCR_{CUF1}$ <p>If Buyer fails to utilize the Contract Capacity at the Monthly Minimum CUF, Seller may apply the higher of its actual consumption rate or the consumption rate corresponding to the Minimum CUF for that Billing Period.</p>

CUF = as previously defined  
CUF2 = CUF increment of the nearest upper value, in %  
CUF1 = CUF increment of the nearest lower value, in %  
FCR<sub>CUF2</sub> = corresponding FCR for CUF2 set forth in the table below:  
FCR<sub>CUF1</sub> = corresponding FCR for CUF1 set forth in the table below:

Illustration: CUF 65.61%

CUF2	66%
CUF1	65%
FCR <sub>CUF2</sub>	0.5107
FCR <sub>CUF1</sub>	0.5114

The FCR at CUF levels 65% to 100% are as follows:

Capacity Utilization Factor (%)	FCR (kg/kWh)
100%	0.4956
99%	0.4961
98%	0.4965
97%	0.4970
96%	0.4974
95%	0.4978
94%	0.4983
93%	0.4987
92%	0.4990
91%	0.4994
90%	0.4999
89%	0.5002
88%	0.5006
87%	0.5009
86%	0.5013
85%	0.5018
84%	0.5021
83%	0.5025
82%	0.5029

Capacity Utilization Factor (%)	FCR (kg/kWh)
81%	0.5033
80%	0.5037
79%	0.5041
78%	0.5045
77%	0.5050
76%	0.5054
75%	0.5059
74%	0.5064
73%	0.5069
72%	0.5073
71%	0.5079
70%	0.5084
69%	0.5089
68%	0.5096
67%	0.5101
66%	0.5107
65%	0.5114



- E. Value-added Tax (“VAT”), if any. VAT shall only be chargeable to the Buyer if prevailing laws expressly allow its passing on by the Seller.
17. Kaelco simulated a rate impact analysis based on assumed quantities. The indicative rate impact on its overall generation rate with and without supply from TLI under the PSA are as follows:

i. Scenario 1: TLI vs Pure WESM			
		w/o TLI	w/ TLI
	<b>kWh Purchase*</b>		
	TLI	0	2,232,000
	WESM (100%)	2,232,000	0
	Total	2,232,000	2,232,000
	<b>Power Cost (PhP)</b>		
	TLI	0	11,468,720
	WESM (100%)	12,048,941	0
	Total	12,048,941	11,468,720
	<b>Generation Rate</b>	<b>5.3983</b>	<b>5.1383</b>
	<b>Rate Impact</b>		<b>(0.2600)</b>
ii. Scenario 2: TLI vs Kaelco recent EPSA			
		w/o TLI	w/ TLI
	<b>kWh Purchase*</b>		
	TLI	0	2,232,000
	recent EPSA	2,232,000	0
	Total	2,232,000	2,232,000
	<b>Power Cost (PhP)</b>		
	TLI	0	11,468,720
	recent EPSA	13,855,080	0
	Total	13,855,080	11,468,720
	<b>Generation Rate</b>	<b>6.2075</b>	<b>5.1383</b>
	<b>Rate Impact</b>		<b>(1.0692)</b>
iii. Scenario 3: TLI vs Kaelco recent PSA			
		w/o TLI	w/ TLI
	<b>kWh Purchase*</b>		
	TLI	0	2,232,000
	recent PSA	2,232,000	0
	Total	2,232,000	2,232,000
	<b>Power Cost (PhP)</b>		
	TLI	0	11,468,720
	recent PSA	21,937,487	0
	Total	21,937,487	11,468,720
	<b>Generation Rate</b>	<b>9.8286</b>	<b>5.1383</b>
	<b>Rate Impact</b>		<b>(4.6903)</b>

18. As shown in the rate impact analysis, the implementation of the PSA between TLI and KAELCO will benefit KAELCO and its consumers with at least generation rate reduction of Php0.2600/kWh. Thus, the PSA subject of this *Joint Application* will ultimately provide KAELCO's end-users with a continuous and reliable supply of electricity at affordable rates.
19. In addition to the rate impact analysis, Joint Applicants wish to emphasize that the conduct of CSP was mandated to ensure the provision of least cost supply to consumers.
20. In the case of *Alyansa Para sa Bagong Pilipinas, Inc. vs. Energy Regulatory Commission, et. al.*<sup>8</sup> ("*Alyansa Case*"), the Supreme Court held that the competitive public bidding is the most efficient, transparent, and effective guarantee that there will be no price gouging by distribution utilities, thus:

As part of its regulation of this monopoly, the State requires distribution utilities to subject to competitive public bidding their purchases of electricity from power generating companies. Competitive public bidding is essential since the power cost purchased by distribution utilities is entirely passed on to consumers, along with their operating expenses of distribution utilities. Competitive public bidding is the most efficient, transparent, and effective guarantee that there will be no price gouging by distribution utilities.<sup>9</sup>

21. In the same *Alyansa Case*, the Supreme Court pronounced that the purpose of the CSP is to ensure transparency and competition in the procurement of power supply by distribution utilities (DUs) so as to provide the least-cost electricity to the consuming public, *to wit*:

The 2015 DOE Circular recognized that under the EPIRA, the DOE has the mandate to **"formulate such rules and regulations as may be necessary to implement the objective of the EPIRA,"** where the State policy is to **"[p]rotect the public interest as it is affected by the rates and services of electric utilities and other providers of electric power."** The 2015 DOE Circular reiterated the EPIRA's mandate that "all Distribution Utilities (DUs) shall have the obligation to supply electricity **in the least-cost manner to their Captive Market**, subject to the collection of retail rate duly approved by the [ERC]."

The 2015 DOE Circular mandated that DUs, including electric cooperatives, obtain their PSAs through CSP. Section 1 of the 2015 DOE Circular state the principles behind CSP:

Section 1. General Principles. Consistent with its mandate, the DOE recognizes that Competitive Selection Process (CSP) in the procurement of PSAs by the DUs ensures security and certainty of

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<sup>8</sup> G.R. No. 227670, Decision dated 3 May 2019.

<sup>9</sup> Emphasis retained.

electricity prices of electric power to end-users in the long-term. **Towards this end, all CSPs undertaken by the DUs shall be guided by the following principles:**

- (a) Increase the transparency needed in the procurement process to reduce risks;**
- (b) Promote and instill competition in the procurement and supply of electric power to all end-users;**
- (c) Ascertain least-cost outcomes that are unlikely to be challenged in the future as the political and institutional scenarios should change; and**
- (d) Protect the interest of the general public.**  
(Boldfacing added)

In sum, the raison d’etre of CSP is to ensure transparency and competition in the procurement of power supply by DUs so as to provide the least-cost electricity to the consuming public.<sup>10</sup>

- 22. Considering that the subject PSA was a result of the conduct of a CSP facilitated by the NEA, pursuant to the prevailing CSP Rules and the *Alyansa Case*, it follows that the rates in the subject PSA and the other provisions contained therein already assure that Kaelco and its customers will be provided with reliable, secure, and quality supply of power in the least-cost manner. Thus, the rates in the subject PSA should be implemented, as is, based on the subject PSA itself.
- 23. Furthermore, the rates provided in the subject PSA is similar to, if not lower than, the Honorable Commission’s previously approved rates of PSAs of the same technology in comparable areas, as shown in the following cases:

Case	Capital Recovery Fee (CRF)	Operation and Maintenance Fee (O&M Fee)	Fuel Cost
ERC No. 2020-031 RC <sup>11</sup>	1,671.20 PhP/kW-mo	FOM: 366.16 PhP/kW-mo  VOM: 0.1907 PhP/kWh	Pass-through subject to efficiency cap of 0.70 kg/kWh escalated at 1.5% annual degradation factor
ERC No. 2022-043 RC <sup>12</sup>	1.8679 PhP/kWh	FOM: 0.8475 PhP/kWh  VOM: 0.0812 PhP/kWh	2.0976 PhP/kWh

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<sup>10</sup> Underscored supplied.

The sum of the provisionally-approved CRF and O&M Fees under ERC Case No. 2020-031 RC and ERC Case No. 2022-043 RC are Php2.816/kWh<sup>11</sup> and Php2.7966/kWh, respectively. The rates of the subject PSA in this application is lower. Based on Paragraph 16.8, at 100% CUF, the total CRF and O&M Fees in the subject PSA is at Php2.6618/kWh.

24. Since the rates provided in the subject PSA are the result of a valid CSP and similar to, if not lower than, the previously approved rates by the Honorable Commission, Applicants respectfully submit that the rates in the subject PSA should be approved by the Honorable Commission, as is and without any adjustments, because such rates will ultimately redound to the benefit of KAELCO’s end-users.
25. The Applicants submit the following documents for the evaluation of the *Joint Application*:

Description of Document	Annex
Power Supply Agreement (PSA) between [EC] and TLI dated February 3, 2025	“A”
TLI’s Certificate of Incorporation, Amended Articles of Incorporation and By-Laws	“B” and series
TLI’s Verified Certification showing the list of Board of Directors and Board Members of the Ultimate Parent Company dated 9 August 2024	“C”
TLI’s Latest General Information Sheet (“GIS”)	“D”
TLI’s Board of Investments (“BOI”) Certificate of Registration No. 2010-052	“E”
Environmental Compliance Certificate (“ECC”) Ref. No. ECC-CO-1311-0037 for the Pagbilao 1 & 2 Coal Power Station	“F”
Provisional Authority to Operate (“PAO”) No. 24-06-28-M-PAO-E-0135L for the Pagbilao Coal Fired Thermal Power Plant	“G”
TLI’s Legal Opinion on DOE PDP and/or COE dated 24 February 2022	“H”
TLI’s Single-line Diagram Connection	“I”
TLI’s Write-up on Inconsistency in Capacity	“J”
TLI’s Transmission Service Agreement, Connection Agreement, and Metering Service Agreement with National Grid Corporation of the Philippines (“NGCP”)	“K” and series
Executive Summary of the PSA	“L”
TLI’s Sources of Funds (Confidential)*	“M*”
TLI’s Generation Rate and Derivation (Confidential)*	“N* and series”
TLI’s Additional Supporting Documents for Generation Rate and Derivation (Confidential) *	“O and series*”
TLI’s Cash Flow (Confidential)*	“P*”

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<sup>11</sup> CRF and FOM converted to PhP/kWh using 100% CUF.

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TLI’s Financial Model (Confidential)*	“Q*”
TLI’s Sample Bill	“R”
TLI’s Write-up on Relevant Technical and Economic Characteristics of the Generation Capacity	“S”
TLI’s Latest Audited Financial Statements	“T”
TLI’s Certification of Non-Applicability, and Write-Up on the Non-Applicability of the following: Shareholders’ Agreement;  Renewable Energy Service Contract/ Operating Contract from the DOE  Certificate of Registration or Certification of Confirmation of Commerciality by an RE Developer and after due confirmation by the DOE  Water Permit from the National Water Resources Board  Copy of Related Agreements (such as Transmission Wheeling Contract, EPC Contract, O&M Contract, Wholesale Aggregator Agreement, Project Feasibility Study);  Certification from the Bank/Lending Institution for Loans  Equivalent Php/kWh with assumptions for foreign-denominated rates  Potential cost (absolute amounts and Php/kWh) of Ancillary Services as when the IPP or the DU is connected to the main grid  If different from previously filed PSA, updated costs  Distribution Wheeling Service Agreement (for embedded generators), if applicable	“U”
TLI’s Certification of the Net Heat Rate kCal per kWh (Confidential)*	“V*”
TLI’s Coal Procurement Plan (Confidential) *	“W*”
TLI’s Coal Supply Agreement (Confidential) *	“W-1*”
Sworn Statement Re: TLI’s Explanation on Coal Procurement Process (Confidential) *	“X*”
TLI’s IPPA Agreement with PSALM (Confidential) *	“Y*”
TLI’s WESM Registration Approval Form	“Z”
KAELCO’s Certificate of Registration issued by NEA	“AA”
KAELCO’s Certificate of Franchise	“AA-1”
KAELCO’s Verified Certification showing the list of Board of Directors and Board Members	“BB”
KAELCO’s Alternative Demand Side Management Program	“CC”
KAELCO’s Write-up on Non-Applicability of Certain Document/s:	“DD”

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Transition Supply Contract with the National Power Corporation	
KAELCO’s Supply and Demand Scenario and Average Daily Load Curve	“EE”
KAELCO’s PSPP	“FF”
KAELCO’s Distribution Development Plan	“GG”
KAELCO’s Single-line Diagram Connection	“HH”
KAELCO’s Performance Assessment of the System (SAIFI and SAIDI)	“II”
KAELCO’s Estimated Potential Reduction in Load Supplied by the DU due to retail competition	“JJ”
KAELCO’s WESM Certification	“KK”
Rate Impact Simulation	“LL”
Financial Bid Forms (Confidential)*	“MM*”
NEA-SBAC CSP Report	“MM-1”
NEA Office Order Nos. 2024-134 and 2024-276	“MM-2”
Invitations to Participate as CSP Observers	“MM-3”
Invitation to Bid (ITB) with Terms of Reference	“MM-4”
NEA Certificate of Conformity	“MM-5”
Affidavit of Publication dated 3 September 2024	“MM-6”
Philippine Daily Inquirer 17 August 2024 issue	"MM-7"
Philippine Daily Inquirer 24 August 2024 issue	"MM-8"
Proof of posting of ITB	"MM-9"
Bidding Procedures	"MM-10"
Summary of the Proceedings	"MM-11"
Bid Bulletins	"MM-12"
Eligibility Requirements	"MM-13"
Bid Security	"MM-14"
Posting of Performance Bond	"MM-15"
Draft PSA	"MM-16"
Checklists for evaluation of bids	"MM-17"
NEA-SBAC Resolution No. 04, series of 2024	"MM-18"
Abstract of Bids	"MM-19"
Bid and Post-Qualification Evaluation Report	"MM-20"
Technical Bid Forms and Standard Response Forms	"MM-21"
Notice of Award	"MM-22"
Notice to Execute Agreement	"MM-23"
Notice to Proceed	"MM-24"
KAELCO’s Board Resolutions: <ul style="list-style-type: none"> <li>1. Resolution No. 5-038 s. 2024 – “Resolution Authorizing the National Electrification Administration (NEA) to Perform on Kalinga-Apayao Electric Cooperative, Inc. (KAELCO’s) Behalf a Competitive Selection Process</li> </ul>	"NN” and series

<p>(CSP) along with other Electric Cooperatives for the Procurement of Power Supply”</p> <p>2. Resolution No. 5-039 s. 2024 – “Resolution Appointing and Authorizing the Technical Services Department Manager, Engr. Dominic H. Ayaen to Represent KAELCO in the Luzon Joint CSP for the Procurement of Power Supply”</p> <p>3. Resolution No. 5-041 s. 2024 – “Resolution Authorizing the Board President, Izaac P. Baliang Jr. and the General Manager, Elvie T. Joven to Execute Power Supply Agreement Resulting from the Luzon Joint CSP for the Procurement of Power Supply”</p> <p>4. Resolution No. 7-055 s. 2024 – “Resolution Authorizing the General Manager, Elvie T. Joven, and her Representative, Serafin I. Martin Jr. to Represent Kalinga-Apayao Electric Cooperative, Inc. (KAELCO) as a Member of the Joint Body of the Members and to Confirm the Results of the Joint CSP to be Conducted by NEA”</p> <p>5. Resolution No. 2-009 s. 2025 – “Resolution Engaging the Services of Atty. Priel P. Balnao and Atty. Leonardo C. Egcatan to Represent Kalinga-Apayao Electric Cooperative, Inc. (KAELCO) in the Proceedings before the Energy Regulatory Commission (ERC) for the Approval of KAELCO’s Power Supply Agreement (PSA) with Therma Luzon, In. (TLI)”</p> <p>6. Resolution No. 2-010 s. 2025 – “Resolution Authorizing the Filing of the Joint Application for the Approval of the Power Supply Agreement (“PSA”) Made and Entered Into By and Between Kalinga-Apayao Electric Cooperative, Inc. (KAELCO) and Therma Luzon, Inc. (TLI) with the Energy Regulatory Commission (ERC); Thereby Authorizing the General Manager, Elvie T. Joven, to File the same and to Execute Verification and Certification Against Forum Shopping”</p> <p>7. Resolution No. 2-013 s. 2025 – “Resolution Confirming the Execution of the NEA-Approved Power Supply Agreements (“PSAs”) with Masinloc Power Co. Ltd. (“MPCL”) and Therma Luzon, Inc. (“TLI”) as a Result of the NEA-Conducted Competitive Selection Process and Ratifying and Reaffirming the Authority of Elvie T. Joven, General Manger, and Izaac P. Baliang, Jr., Board President to Execute the PSAs with MPCL and TLI on Behalf of Kalinga-Apayao Electric Cooperative, Inc. (KAELCO)”</p> <p>8. Resolution No. 2-014 s. 2025 – “A Resolution Providing the List of the Incumbent Board of Directors to TLI in Support of the Application for the Approval of Power Supply Agreement (PSA) Entered Into By and Between</p>	
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Kalinga-Apayao Electric Cooperative, Inc. (KAELCO) and Therma Luzon, Inc. (TLI) Before the Energy Regulatory Commission (ERC)”	
Affidavit In Support of Prayer for Provisional Authority	“OO”

*\* Subject of the Motion for Confidential Treatment of Information*

**PRAYER FOR PROVISIONAL AUTHORITY OR INTERIM RELIEF**

26. Under Rule 14 of the ERC RRPP,<sup>12</sup> the Honorable Commission is authorized to issue provisional authority or interim relief prior to a final decision, provided the facts and circumstances alleged warrant such remedy.
27. A provisional approval (“PA”) of the KAELCO-TLI PSA is necessary to ensure sufficient and reliable power supply to meet both the current and growing demands of KAELCO’s franchise area.
28. As shown in KAELCO’s Supply and Demand Scenario, its peak demand for 2024 is 13.22 MW. KAELCO’s franchise area is expected to incur a steady rise in electricity demand, with peak demand projected to grow at a rate of 8.81% annually. Clearly, KAELCO’s current supply of approximately 1MW is insufficient to meet this demand. The KAELCO-TLI PSA is urgently needed to address the power deficit and prevent service interruptions.
29. The procurement also addresses the expiration of KAELCO’s emergency power supply agreements with MPCL and PSALM on 25 November 2024 and 26 December 2024, respectively. Without timely replacement of these agreements, there is a significant risk of KAELCO being exposed to the volatile prices of the Wholesale Electricity Spot Market (“WESM”).
- 29.1. If no PA, interim relief, or decision will be issued before said expiration date, KAELCO’s demand of 12.22 MW will be exposed to WESM, having erratic power rates, to the prejudice of the consumers. Thus, the issuance of the PA, interim relief, or decision is in the best interest of KAELCO’s captive customers, as the KAELCO-TLI PSA will provide reliable electricity service, with stable rate, which is essential for public welfare, economic stability and growth.
30. Furthermore, from the KAELCO’s rate impact simulation, it is clear that the implementation of the PSA with TLI would reduce KAELCO’s rate by Php0.2600/kWh, as compared to if the same power requirements are purchased from WESM.
31. As such, the early implementation of the KAELCO-TLI PSA would readily benefit KAELCO and its captive customers as it will ensure the provision of reliable, secure, and quality supply of electricity in the least cost manner.

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<sup>12</sup> ERC Resolution No. 1, Series of 2021.



32. To support the prayer for provisional authority or interim relief, the Affidavit of Engr. Dominic H. Ayaen, Kaelco’s Technical Manager is attached hereto as Annex “OO” of the *Joint Application*.

MOTION FOR CONFIDENTIAL TREATMENT OF ANNEXES “M”, “N”, “O and Series”, “P”, “Q”, “V” “W” “W-1”, “X”, “Y”, and “MM”

33. Section 1, Rule 4 of the *ERC Revised Rules of Practice and Procedure* provides that a party to any proceeding before the Honorable Commission may request that certain information not be disclosed and be treated as confidential. Pursuant to this, TLI prays that the information contained in the documents enumerated below be treated as *CONFIDENTIAL* and that the same be continuously protected from public disclosure, except to the officers and staff of the Honorable Commission (collectively referred to as “Confidential Documents”):

Description of Document	Annex
TLI’s Sources of Funds (Confidential)*	“M*”
TLI’s Generation Rate and Derivation (Confidential)*	“N*”
TLI’s Additional Supporting Documents for Generation Rate and Derivation (Confidential) *	“O and series*”
TLI’s Cash Flow (Confidential)*	“P*”
TLI’s Financial Model (Confidential)*	“Q*”
TLI’s Certification of the Net Heat Rate kCal per kWh (Confidential)*	“V*”
TLI’s Coal Procurement Plan (Confidential) *	“W*”
TLI’s Coal Supply Agreement (Confidential) *	“W-1*”
Sworn Statement Re: TLI’s Explanation on Coal Procurement Process (Confidential) *	“X*”
TLI’s IPPA Agreement with PSALM (Confidential) *	“Y*”
Financial Bid Forms (Confidential)*	“MM*”

34. The Confidential Documents contain financial models, computation/calculation for rate determination and cost components. Hence, TLI has actual and valuable proprietary interest to protect such information and data, which fall within the bounds of “trade secrets” that are entitled to protection under the Constitution, statutes, and rules and regulations of this Honorable Commission.
- 34.1. The foregoing annexes contain non-public, proprietary information and data involving Applicants’ investments, business operations, and financial calculations. Applicants determine, among others, their competitive rates through its power rate calculations, and its financial model through these information. Thus, the methodology thereof is

privileged and confidential in nature. Furthermore, these information and data are not generally available to the public. Applicants' competitiveness will seriously be prejudiced if these information are unduly disclosed.

34.2. Moreover, the interest of applicant Kaelco's consumers is sufficiently protected by the review and evaluation of the rates under the Kaelco-TLI PSA by the Honorable Commission, without the need to disclose the contents of the Confidential Documents.

35. In the case of *Air Philippines Corporation vs. Pennswell, Inc.*,<sup>13</sup> the Supreme Court defined "trade secrets" and explained that:

**"A trade secret is defined as a plan or process, tool, mechanism or compound known only to its owner and those of his employees to whom it is necessary to confide it. The definition also extends to a secret formula or process not patented, but known only to certain individuals using it in compounding some article of trade having a commercial value. A trade secret may consist of any formula, pattern, device, or compilation of information that: (1) is used in one's business; and (2) gives the employer an opportunity to obtain an advantage over competitors who do not possess the information. Generally, a trade secret is a process or device intended for continuous use in the operation of the business, for example, a machine or formula, but can be a price list or catalogue or specialized customer list. It is indubitable that trade secrets constitute proprietary rights." (Emphasis supplied.)**

35.1. Moreover, the Honorable Commission categorically acknowledged in its Decision in ERC Case No. 2015-111 RC<sup>14</sup> that formulas and pricing structures of a generation company must be accorded confidential protection, to wit:

**"In the case of PNOC RC, the documents sought to be protected from disclosure contain formula and pricing structures used in arriving at their proposed tariff. In fact, all three (3) documents were used by the Commission in evaluating the reasonableness of the proposed rate. In the electric power industry w(h)ere prices is[sic] a major consideration in selecting one's supplier, it is apparent that the assumptions used in arriving at one's proposed tariff is considered a competitive leverage by one player against its competitors.**

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<sup>13</sup> 564 Phil. 774 (2007), G.R. No. 172835.

<sup>14</sup> Decision, ERC Case No. 2015-111 RC dated 30 May 2017 entitled "*In the Matter of the Application for Approval of the Power Supply Agreement Between Nueva Ecija II Electric Cooperative, Inc.-Area 2 (NEECO II – Area 2) and PNOC Renewables Corporation (PNOC RC).*"

**Thus, the Commission resolves to treat the said documents confidential and may not be publicly disclosed.”**  
(Emphasis supplied).

- 35.2. Clearly, the Honorable Commission recognizes the importance of treating pricing structures as confidential in order to ensure competitiveness of the generation sector. This information, which falls within the definition of a trade secret as defined by jurisprudence, merits the confidential treatment provided for under Rule 4 of the ERC RRPP.
36. Further, the treatment of the information contained in Annexes “M”, “N”, “O and Series”, “P”, “Q”, “V” “W”, “W-1”, “X”, “Y”, and “MM” as confidential information is consistent with the Honorable Commission’s *Updated Matrix of Confidential and Non-Confidential Document and Information (as of 16 October 2024)* (“Matrix”). In the *Matrix*, financial models, computation/calculation for rate determination and cost components should be treated with confidentiality because they have proprietary value that constitute trade secrets. Therefore, as described above, since the information in the subject documents fall in these categories, Annexes “M”, “N”, “O and Series”, “P”, “Q”, “V” “W”, “W-1”, “X”, “Y”, and “MM” should likewise be treated with confidentiality.
37. In view of the foregoing and pursuant to Rule 4 of the *ERC Revised Rules of Practice and Procedure*, TLI respectfully requests that the attached Annexes “M”, “N”, “O and Series”, “P”, “Q”, “V” “W”, “W-1”, “X”, “Y”, and “MM” and the information contained therein be treated as confidential and privileged, and not be disclosed to persons other than the necessary officers and staff of this Honorable Commission.
38. TLI hereby submits Annexes “M”, “N”, “O and Series”, “P”, “Q”, “V” “W”, “W-1”, “X”, “Y”, and “MM” via: (i) password-protected electronic copies, and (i) one (1) physical copy each of the respective confidential documents in a sealed envelope, with the envelope and each page of the documents stamped with the word “Confidential”.

PRAYER

WHEREFORE, premises considered, Applicants THERMA LUZON INC. (TLI) and KALINGA-APAYAO ELECTRIC COOPERATIVE, INC. (KAELCO) respectfully pray that the Honorable Commission:

1. ISSUE an Order treating Annexes “M”, “N”, “O and Series”, “P”, “Q”, “V” “W”, “W-1”, “X”, “Y”, and “MM” as confidential in perpetuity, directing their non-disclosure to persons other than the officers and staff of the Honorable Commission, perpetually protecting the said information from public disclosure by

maintaining the same separate and apart from the records of the case, and ensuring that these are not divulged to unauthorized persons, pursuant to Rule 4 of its Rules of Practice and Procedure;

2. Pending trial on the merits, GRANT provisional authority or interim relief allowing the implementation of the PSA between Kaelco and TLI, including all the rates, fees, charges, and tariff adjustment mechanisms set out therein at the rates provided in the PSA, and authorizing Kaelco to charge and collect such rates, fees, charges, and tariff adjustment therein from its customers reckoned from the start of the supply by TLI to Kaelco under the PSA subject of this *Joint Application*; and
3. After hearing on the merits, ISSUE a Decision APPROVING the *Joint Application* and PSA between Kaelco and TLI, including all the rates, fees, charges, and tariff adjustment mechanisms set out therein at the rates provided in the PSA, and authorizing Kaelco to charge and collect such rates, fees, charges, and tariff adjustments therein from its customers reckoned from the start of the supply by TLI to Kaelco under the PSA.

Other relief just and reasonable are likewise prayed for.

In an *Order* and a *Notice of Virtual Hearing*, both 07 April 2025, the Commission set the instant *Joint Application* for hearing on the following dates: (1) 21 May 2025 for the determination of compliance with jurisdictional requirements and expository presentation; and (2) 28 May 2025 for the Pre-trial Conference and presentation of evidence.

Thereafter, on 23 April 2025, TLI filed a *Manifestation with Urgent Motion to Revise the Order and Notice of Virtual Hearing (both dated 7 April 2025)* of even date (Manifestation with Urgent Motion), noting that the label “PHCPI<sub>o</sub>” was inadvertently lumped with the label “PHCPI<sub>n-1</sub>” in column 1, row 7 of the first table in page 12 of both the *Order* and *Notice of Virtual Hearing*, instead of being placed in row 6. Thus, TLI prayed that the Commission make the necessary revisions in the *Order* and *Notice of Virtual Hearing* dated 07 April 2025.

The Commission has found TLI’s *Manifestation with Urgent Motion* in order, and thus granted the same. In view thereof, the hearings set on 21 May 2025 and 28 May 2025, pursuant to the *Order* dated 07 April 2025 are cancelled.

**ACCORDINGLY**, the Commission hereby sets the instant *Joint Application* for hearing for determination of compliance with the jurisdictional requirements, expository presentation, Pre-Trial Conference, and presentation of evidence on the following dates and online platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020<sup>15</sup> and Resolution No. 01, Series of 2021<sup>16</sup> (ERC Revised Rules of Practice and Procedure):

Date	Platform	Activity
<b>04 June 2025</b> (Wednesday) at two o'clock in the afternoon (2:00 P.M.)	<b>Microsoft Teams Application</b>	Determination of compliance with jurisdictional requirements and expository presentation
<b>11 June 2025</b> (Wednesday) at two o'clock in the afternoon (2:00 P.M.)		Pre-Trial Conference and Presentation of Evidence

Accordingly, KAELCO and TLI are directed to mirror the virtual hearings to be hosted by the Commission at **KAELCO’s principal office located at Callagdao, Bulanao, Tabuk City, Kalinga**, as the designated venue for the conduct thereof, and ensure that the same is open to the public. Moreover, KAELCO and TLI 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](mailto:docket@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto: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](mailto:docket@erc.ph), and copy furnishing the Legal Service through [legal@erc.ph](mailto: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

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<sup>15</sup> A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.  
<sup>16</sup> A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

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](mailto:docket@erc.ph), and copy furnish the Legal Service through [legal@erc.ph](mailto: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](http://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](mailto: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 2<sup>nd</sup> day of May 2025 in Pasig City.

FOR AND BY AUTHORITY  
OF THE COMMISSION:

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

  
LS: JBY/MVM