

Republic of the Philippines
ENERGY REGULATORY COMMISSION
Pasig City

**IN THE MATTER OF THE
JOINT APPLICATION FOR
APPROVAL OF THE POWER
SUPPLY AGREEMENT
ENTERED INTO BY AND
BETWEEN PALAWAN
ELECTRIC COOPERATIVE
AND DELTA P, INC., WITH
PRAYER FOR
PROVISIONAL AUTHORITY
AND CONFIDENTIAL
TREATMENT OF
INFORMATION**

ERC CASE NO. 2025-053 RC

**PALAWAN ELECTRIC
COOPERATIVE AND DELTA
P, INC.,**

Applicants.

X-----X

Promulgated:
March 20, 2025

NOTICE OF VIRTUAL HEARING

TO ALL INTERESTED PARTIES:

Notice is hereby given that, on 28 February 2025, Palawan Electric Cooperative (PALECO) and Delta P, Inc. (DPI) filed a *Joint Application*, dated 17 December 2024, seeking the Commission's approval of their Power Supply Agreement (PSA), with prayer for provisional authority and confidential treatment of information.

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

THE JOINT APPLICANTS

1. Applicant **PALECO** is an Electric Cooperative ("EC") duly organized by virtue of Presidential Decree No. 269, as amended, and duly registered with the Cooperative

Development Authority under Registration Number QC2161622C2012, with principal office address at Km 3-35, North National Highway, Puerto Princesa City, Palawan, Philippines. Applicant PALECO serves the power requirements of Puerto Princesa City, Aborlan, Narra, Brooke's Point, Espanola, Cuyo, Magsaysay, Quezon, Roxas, Taytay, El Nido, Araceli, San Vicente, Bataraza, Rizal, Balabac, Cagayancillo, Agutaya, and Dumarán, all in the Province of Palawan (collectively, the "Franchise Area"). For purposes of this *Joint Application*, applicant PALECO is represented herein by its Chairman, **MS. MAYLENE D. BALLARES** and General Manager **ENGR. REZ L. CONTRIVIDA** duly authorized by virtue of a *Board Resolution*.¹

2. Applicant **DPI** is a corporation duly organized and existing under and by the laws of the Republic of the Philippines, with principal office address at the Km. 13 North National Highway, Brgy. Sta. Lourdes, Puerto Princesa, Palawan. For purposes of this *Joint Application*, applicant DPI is represented by its President and Chief Executive Officer ("CEO"), **MR. ERICKSON B. OMAMALIN**, duly authorized for the purpose by virtue of a *Secretary's Certificate*.²
3. The *Joint Applicants* may be served with the Orders, Notices, and other Processes of the Honorable Commission through their respective undersigned counsels at the addresses indicated herein.

NATURE OF THE APPLICATION

4. The instant *Joint Application* for approval of the *Power Supply Agreement* entitled "*Power Supply Agreement - 40 MW Baseload Supply to PALECO for the Palawan Main Grid*" entered into by and between the Joint Applicants dated 18 November 2024 (the "*PALECO-DPI PSA*") is being submitted to the Honorable Commission for its review and approval pursuant to Sections 25³ and 45(b)⁴ of Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act of 2001 (the "EPIRA"), Rule 20(B) of the Honorable Commission's Resolution No. 01, Series of 2021 (the "ERC Revised Rules of Practice and Procedure"),⁵ and Article VIII of the Honorable Commission's Resolution No.

¹ See **Annex "EE"** of the *Joint Application*.

² See **Annex "DD"** of the *Joint Application*.

³ 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.

⁴ Distribution utilities may enter into bilateral power supply contracts subject to review by the ERC: xxx.

⁵ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

16, Series of 2023⁶ (the “ERC Implementing Guidelines for the Procurement, Execution, and Evaluation of Power Supply Agreements”).

5. In compliance with Section 2, Rule 6 of the *ERC Revised Rules of Practice and Procedure*, a copy of the instant *Joint Application* (with all its annexes and accompanying documents, except those subject of a motion for confidential treatment of information) shall be furnished to the following offices:⁷
 - a. Office of the City Mayor of Puerto Princesa;
 - b. Office of the Presiding Officer of the *Sangguniang Panlungsod* of Puerto Princesa;
 - c. Office of the Governor of the Province Palawan;
and
 - d. Office of the Presiding Officer of the *Sangguniang Panlalawigan* of the Province of Palawan.
6. Further, this *Joint Application* shall be published in a newspaper of general circulation.⁸

ALLEGATION ON TIMELINESS

7. The timeliness of the filing of this *Joint Application* shall be reckoned from 18 November 2024, the date of execution of the *PALECO-DPI PSA*.

STATEMENT OF FACTS

8. **Power Situation in Palawan.** In 2024, the peak energy demand of the Palawan Main Grid is about 74 MW.⁹
9. To date, applicant PALECO sources its power supply from the following suppliers, with their respective contract capacities shown below:¹⁰

Supplier	Contract Capacity (in MW)	ERC Docket No.	PSA Expiration
Palawan Power Generation Incorporated	8.00	2007-143 RC	02/26/2025
DMCI Power Corp.	25.00	2013-022 RC	09/01/2028
DMCI Power Corp. (emergency power supply)	15.00	2024-069 RC	01/19/2025

⁶ 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.

⁷ See Annex “JJ” and series of the *Joint Application*.

⁸ See Annex “KK” of the *Joint Application*.

⁹ See Annex “P” of the *Joint Application*.

¹⁰ See Annex “P” of the *Joint Application*.

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Delta P, Inc. (transition power supply)	26.65	<i>Currently at pre-filing stage</i>	10/04/2025
Total	74.65		

10. As an off-grid EC, applicant PALECO is entirely reliant on bilateral power supply contracts to meet the energy demands of its consumers. Applicant PALECO lacks access to an electricity spot market, making it critical for the EC to secure sufficient long-term power supply agreements to maintain uninterrupted service for its consumers.
11. According to applicant PALECO’s 2024 Power Supply Procurement Plan (“PSPP”),¹¹ the peak demand within its franchise area is generally projected to grow at an average annual rate of 5.52%. To address this increasing demand, applicant PALECO determined that it needs to procure an additional 55 MW of power supply, comprising 40 MW for baseload and 15 MW for peaking requirements. This procurement is also aimed at replacing the expiring emergency power supply agreement and transition power supply agreement, ensuring a more stable and reliable long-term power supply for its consumers.
12. In compliance with the prevailing regulations of the Department of Energy (“DOE”), a Competitive Selection Process (“CSP”) should be conducted to secure the additional capacities required to meet the increasing energy demand in the Palawan Main Grid.
13. **Antecedent Facts Prior to the Conduct of the CSP:** During the House Committee on Energy’s inquiry in aid of legislation on 05 February 2024, conducted pursuant to House Resolution No. 1544,¹² series of 2024, several members of the House of Representatives requested that the National Electrification Administration (“NEA”) conduct the CSP for applicant PALECO.
14. On 14 February 2024, the PALECO Board of Directors (the “PALECO BOD”) issued Board Resolution No. 21, Series of 2024,¹³ requesting the NEA to undertake the CSP for the Palawan Main Grid on its behalf. The pertinent excerpts from Board Resolution No. 21, Series of 2024, are as follows:

“WHEREAS, the above circumstances became the subject of House Resolution No. 1544 or “DIRECTING THE COMMITTEE ON ENERGY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON ISSUES OF SUFFICIENCY, RELIABILITY AND AFFORDABILITY OF ELECTRICITY IN THE PROVINCE OF PALAWAN WITH THE END VIEW OF

¹¹ See **Annex “O”** of the *Joint Application*.

¹² Enacted by the Nineteenth Congress Second Regular Session, entitled “*Resolution Directing the Committee on Energy to Conduct an Inquiry, in Aid of Legislation, on Issues of Sufficiency, Reliability, and Affordability of Electricity in the Province of Palawan with the End View of Providing Reasonable Energy Rates, Efficient Power Distribution, and Sustainable Source of Energy Supply for Palawenos.*”

¹³ See **Annex “EE-1”** of the *Joint Application*

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PROVIDING REASONABLE ENERGY RATES, EFFICIENT POWER DISTRIBUTION, AND SUSTAINABLE SOURCE OF ENERGY SUPPLY FOR PALAWEÑOS” which was deliberated in the Regular Meeting of the House of Representatives Committee on Energy on 05 February 2024;

WHEREAS, as a result of the deliberation, PALECO was advised to seek the assistance of the National Electrification Administration (NEA) in facilitating the Competitive Selection Process (CSP) to ensure the immediate replacement of the EPSAs entered into by PALECO;

NOW THEREFORE, on motion of Director Efren B. Abejo seconded by Director Raul M. Timbancaya, be it;

RESOLVED AS IT HEREBY RESOLVED, earnestly requesting the National Electrification Administration (NEA) to immediately undertake the Competitive Selection Process (CSP) for the supply of power for Palawan Grid as replacement of the Emergency Power Supply Agreements (EPSAs) entered into by the Palawan Electric Cooperative (PALECO).”

15. Thus, and as will be elaborated further below, the NEA, through a duly-constituted Special Bids and Awards Committee (the “NEA-SBAC”), conducted a CSP for the Palawan Main Grid on behalf of PALECO. The CSP was conducted in accordance with PALECO’s latest and duly posted 2024 PSPP and in compliance with the Department of Energy’s Department Circular No. DC2023-06-0021¹⁴ (“DOE DC2023-06-0021”).
16. **Conduct of the CSP:** DOE DC2023-06-0021 is the prevailing policy on the conduct of a CSP for the procurement of an EC’s power supply for its captive market. Section 5.2 of DOE DC2023-06-0021 allows ECs that are unable to undertake a CSP to request assistance from the NEA. Meanwhile, Section 5.4 of the same circular states that if an EC fails to complete the CSP at least one (1) year before the scheduled date indicated in its PSPP, the NEA shall undertake or continue the CSP on behalf of the EC. Sections 5.2 and 5.4 of DOE DC2023-06-0021 read:

“SECTION 5.2 ECs with limited capability to undertake CSP may request the NEA to provide the necessary assistance and resources to conduct the same, including, but not limited to, the mobilization of competent manpower of the NEA and other ECs, and if necessary, the involvement of NPC and National Transmission Corporation (TransCo) in Off-Grid Areas, which shall be at no expense to the EC.

SECTION 5.4 The NEA shall advise all ECs to conduct their CSP not later than two (2) years before the scheduled date indicated in their respective PSPPs.

In case an EC is unable to complete the CSP one (1) year before said scheduled date as indicated in its PSPP, the NEA shall undertake or continue the CSP on behalf of the EC. For this purpose, the NEA can mobilize its own manpower

¹⁴ Prescribing the Policy for the Mandatory Conduct of the Competitive Selection Process by the Distribution Utilities for the Procurement of Power Supply for their Captive Market.

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complement and structure, the manpower of the EC itself, as well as those of other ECs to undertake the CSP process, as necessary.”

17. NEA Memorandum No. 2023-057¹⁵ was issued by the NEA pursuant to DOE DC2023-06-0021 and in support of the Honorable Commission’s Resolution No. 16, Series of 2023, specifically as it applies to the conduct of the CSPs for ECs.

18. Article 13.1 of NEA Memorandum No. 2023-057, consistent with Section 5.4 of the DOE DC2023-06-0021, 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. Article 13.1 of NEA Memorandum No. 2023-057 reads:

“In case an EC (or Aggregated ECs) requests NEA assistance under Section 12.2 or is unable to complete the CSP one (1) year before the scheduled date as indicated in the PSPP, the NEA shall undertake or continue the CSP on behalf of the EC. For this purpose, the NEA can mobilize its own manpower complement and structure, the manpower of the EC itself, as well as those of other ECs to undertake the CSP process, as necessary.”

19. On 27 February 2024, the NEA issued Office Order No. 2024-076,¹⁶ as amended by Office Order 2024-186,¹⁷ creating the NEA-SBAC. The NEA-SBAC was tasked with preparing for, initiating, and conducting the CSP for the Palawan Main Grid in accordance with PALECO’s latest and duly posted PSPP.

20. Following PALECO’s 2024 PSPP, the CSP was divided into two (2) lots: Lot 1 for the 40 MW baseload supply for the Palawan Main Grid and Lot 2 for the 15 MW peaking supply for the Palawan Main Grid. The instant *Joint Application* is for the approval of the power supply agreement resulting from Lot 1 of the NEA-conducted CSP.

21. On 02 May 2024, the NEA issued Certificate of Conformity No. NEA-RAO-COC-2024-05¹⁸ stating that:

“This is to certify that the contract quantity and cooperation period for the Competitive Selection Process (CSP) of Palawan Electric Cooperative (PALECO) for the 55MW (40MW baseload and 15MW peaking) power supply requirement with a 15-year cooperation period are consistent with the latest posted 2024-2033 Power Supply Procurement Plan.”

22. A report of the events related to the CSP conducted by the duly constituted NEA-SBAC is attached as **Annex “FF”**. A summary of the key dates and events is provided below:

¹⁵ Entitled: “Adoption of the National Electrification Administration Competitive Selection Process Guidelines Implementing the Department of Energy’s Department Circular No. DC2023-06-0021 and the Energy Regulatory Commission’ Resolution No. 16, Series of 2023”

¹⁶ See **Annex “FF-1”** of the *Joint Application*.

¹⁷ See **Annex “FF-2”** of the *Joint Application*.

¹⁸ See **Annex “FF-4”** of the *Joint Application*

- 22.1. The *Invitation to Bid* for the CSP was published in the Philippine Daily Inquirer on 10 and 17 May 2024.¹⁹
- 22.2. The NEA-SBAC conducted two (2) pre-bid conferences: the first on 30 May 2024, at the Hue Hotel in Puerto Princesa City, and the second on 16 July 2024, at the NEA main office in Quezon City.²⁰
- 22.3. On 31 July 2024, the NEA-SBAC issued the Final Transaction Documents for the CSP and scheduled the opening and evaluation of bids on 16 August 2024, at the Aziza Paradise Hotel, Puerto Princesa City.
- 22.4. On 16 August 2024, two (2) bidders, applicant DPI and DMCI Power Corporation, submitted their proposals for Lot 1 of the CSP. Applicant DPI and DMCI Power Corporation's respective proposals were evaluated based on the parameters outlined in the Final Transaction Documents issued by the NEA-SBAC, with applicant DPI emerging as the bidder with the Lowest Calculated Bid for Lot 1.
- 22.5. From 17 August 2024 to 06 September 2024, the NEA-SBAC conducted post-qualification activities to verify whether applicant DPI's submission met the requirements for Lot 1 of the CSP.
- 22.6. On 16 September 2024, the NEA issued the Notice of Award to applicant DPI after determining that it had submitted the Lowest Calculated and Responsive Bid for Lot 1 of the CSP. On the same date, DPI accepted the Notice of Award. Following comprehensive negotiations, Applicants submitted to the NEA-SBAC the finalized and negotiated PSA on 25 October 2024.
- 22.7. On 15 November 2024, Joint Applicants received the Notice to Execute Agreement issued by NEA directing them to execute the NEA-approved PSA within three (3) calendar days from receipt.²¹
23. In compliance with the Notice to Execute Award issued by NEA, on 18 November 2024, Joint Applicants executed the *PALECO-DPI PSA* subject of this instant *Joint Application*.

¹⁹ See Annex "FF-3" of the *Joint Application*.

²⁰ See Annex "FF-5" of the *Joint Application*.

²¹ See Annex "FF-6" of the *Joint Application*.

SALIENT TERMS OF THE PALECO-DPI PSA

24. The *PALECO-DPI PSA*, a copy of which is attached as **Annex “A”** hereof, contains the following salient terms:
- 24.1. **Term:** The PSA shall take effect immediately from Effective Date, and shall remain in force and effect for fifteen (15) years from Delivery Date, unless sooner terminated in accordance with the PSA and upon approval by the Energy Regulatory Commission (“ERC”).
- 24.2. **Delivery Date:** The Delivery Date shall be the later of either 01 October 2024 (00:00H) or the next immediate twenty-sixth (26th) day of the month following the Honorable Commission’s issuance of a Provisional Authority (“PA”) or Interim Relief (“IR”), as applicable, for the implementation of the *PALECO-DPI PSA* and the fulfillment of specific conditions outlined in the *PALECO-DPI PSA*, unless expressly waived in writing by the Parties (except for ERC’s PA or IR, which shall not be waived).
- 24.3. **Contract Capacity:** On a monthly basis, applicant PALECO shall purchase and utilize the Contract Capacity at the Monthly Minimum Capacity Utilization Factor (“CUF”) as provided below. Should applicant PALECO fail to dispatch at the Monthly Minimum CUF, and the applicant DPI has made the same available for dispatch, applicant PALECO shall pay to applicant DPI the CRF_{CUF} at the associated energy for 50% CUF level.

Nonetheless, applicant DPI must make available for dispatch the Annual Maximum Deliverable Energy as provided below, subject to allowable outages.

Year	Contracted Capacity (in MW)	Monthly Minimum CUF	Annual Maximum Deliverable Energy (in kWh)
2024	27	50%	59,616,000
2025	40	50%	318,288,000
2026	40	50%	318,288,000
2027	40	50%	318,288,000
2028	40	50%	318,288,000
2029	40	50%	318,288,000
2030	40	50%	318,288,000
2031	40	50%	318,288,000
2032	40	50%	318,288,000
2033	40	50%	318,288,000
2034	40	50%	318,288,000
2035	40	50%	318,288,000
2036	40	50%	318,288,000

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2037	40	50%	318,288,000
2038	40	50%	318,288,000
2039	40	50%	318,288,000

24.4. **Monthly Payments:** Commencing on Delivery Date and throughout the entire Term, applicant PALECO shall pay to applicant DPI each Billing Period an amount equal to the Monthly Payment in accordance with the formulas in Schedule 4 of the *PALECO-DPI PSA*.

24.5. **Tariff Structure and Rates:** The unbundled tariff structure and rates, namely, the Capital Recovery Rate (“CRR”) at CUF levels 50% to 100%, Fixed Operations and Maintenance Rate (“FOMR”), Variable Operations and Maintenance Rate (“VOMR”), Fuel Fee (“FF”) is provided in Schedule 4 of the *PALECO-DPI PSA*.

A summary of the unbundled tariff structure and rates is provided below:

Component	Unit of Measurement	Rate	Indexation
CRR	Php/kWh	Php 1.5889 @ 100% CUF	No indexation
FOMR	Php/kw-month	Php 317.2575	80% PH CPI, 20% US CPI Base: May 2024
VOMR	Php/kWh	Php 0.7294	59% PH CPI, 41% EU CPI Base: May 2024
FF	Php/kWh	Pass-through cost subject to fixed Fuel Consumption Rates (without degradation)	

24.6. **Replacement Power:** The procurement of any Replacement Power within the Outage Allowance shall be the responsibility of applicant PALECO.

However, applicant DPI shall provide Replacement Power under the following conditions, regardless if such outage is within the Outage Allowance:

- i. It will not be able to supply the associated energy equivalent to the Monthly Minimum CUF level at a given month due to applicant DPI’s own fault;
- ii. It will incur a scheduled plant-level outage or conduct a Preventive Maintenance Schedule for a

- generating unit during the peak months April, May, June, and December of any given year; and
- iii. It will conduct simultaneous Preventive Maintenance Schedules for more than one (1) generating unit.

The rates to be charged for the procurement of Replacement Power shall be a) the actual price of the Replacement Power; or b) the ERC-approved rate for this Agreement, whichever is lower.

The procurement of any Replacement Power beyond the Outage Allowance shall be the responsibility of applicant DPI, without exception.

In the event of failure by applicant DPI to provide the Replacement Power, applicant PALECO shall be allowed to source the Replacement Power at the expense of applicant DPI.

25. **Applicant DPI Generation Facilities.** Applicant DPI shall utilize its existing 4 x 7.537 MW Wärtsilä Bunker C-Fired Diesel Engines, located at Km 13, North National Highway, Brgy. Sta. Lourdes, Puerto Princesa, Palawan, with a total installed capacity of 30.148 MW (the “eDPI units”). The eDPI units shall be used for the entire Term of the *PALECO-DPI PSA*.

To address the immediate power deficit in the Palawan Main Grid, applicant DPI shall deploy 13 x 1.048 MW modular diesel generator sets (the “tDPI units”) with a total installed capacity of 13.624 MW. The tDPI units shall be used for a maximum of sixteen (16) months from the Delivery Date, unless the planned expansion of the eDPI units is commissioned and becomes operational earlier.

For long-term power supply stability, applicant DPI shall expand the existing eDPI units by installing an additional 2 x 7.537 MW Wärtsilä Bunker C-Fired Diesel Engines (the “nDPI units”). Once completed, the combined capacity of the eDPI and nDPI units will reach approximately 45.222 MW, ensuring 40 MW baseload supply for the Palawan Main Grid throughout the term of the *PALECO-DPI PSA*. The nDPI units will be utilized for the remainder of the term once the tDPI units are no longer in operation.

26. **Equity and Financing Plan / Sources of Funds.** The installation of new generation assets and the rehabilitation of existing generation assets shall be funded through a combination of debt and equity.
27. It is worth noting that the Honorable Commission has previously recognized that the rate of return of power suppliers in off-grid areas should be higher than in on-grid

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areas. In a *Decision* dated 31 January 2011 in the consolidated cases of ERC Case Nos. 2005-042 RC and 2008-023 RC involving an EC serving an off-grid area, the Honorable Commission recognized the unique challenges faced by power suppliers in off-grid areas. Factors such as the remoteness of locations, lower levels of economic development, and the financial condition of ECs necessitate a higher Weighted Average Cost of Capital (“WACC”) or internal rate of return. The pertinent portion of the said *Decision* states:

The Commission believes that the WACC/internal rate of return of power suppliers in [National Power Corporation Small Power Utilities Group (“NPC-SPUG”)] areas should be relatively higher than those in the main grid considering the economic factors involved such as proximity of location, economic development in the area and economic situation of electric cooperatives, among others.

28. Estimated Rate Impact. The implementation of the *PALECO-DPI PSA* would lower the effective rates for applicant PALECO’s various consumer types as follows:

EFFECT ON EFFECTIVE RATES TO PALECO CONSUMERS					
Customer Type	Effective Rate, PhP/kWh				
	Scenario A (With DELTA P EPSA expired and DELTA P's 26.65 MW Transitional PSA COMPARATORY/EP SA Rate)	Scenario B (With DELTA P EPSA expired and DELTA P's 26.65 MW Transitional PSA ERC Approved Subsidized Rate)	Scenario C (Entry of DELTA P's 40 MW LTPSA and Termination of DELTA P's 26.6 MW TPSA)	Reduction in Effective Rates (Scenario A - Scenario C)	Reduction in Effective Rates (Scenario B - Scenario C)
Residential	15.7294	12.5500	11.6849	4.0445	0.8651
Commercial	14.6145	11.4351	10.5700	4.0445	0.8651
Industrial	14.5879	11.4085	10.5434	4.0445	0.8651
Public Building	14.7116	11.5322	10.6671	4.0445	0.8651
Street Lights	14.4106	11.2312	10.3661	4.0445	0.8651

Based on applicant PALECO’s rate impact analysis, the implementation of the *PALECO-DPI PSA* would result in an upward adjustment to the blended true cost of generation rate, leading to a necessary adjustment to the subsidy drawn from the Universal Charge for Missionary Electrification (“UCME”) subsidy.

SUMMARY of RATE IMPACT:				
Scenario	Blended TCGR Subject to UCME - VAT Inclusive, PhP/kWh	2024 SAGR, PhP/kWh	UCME Subsidy, PhP/kWh	Increase in Subsidy, PhP/kWh
Scenario A (With DELTA P EPSA expired and DELTA P's 26.65 MW Transitional PSA COMPARATORY/EP SA Rate)	15.9346	7.39	8.5446	baseline
Scenario B (With DELTA P EPSA expired and DELTA P's 26.65 MW Transitional PSA ERC Approved Subsidized Rate)	15.9511	7.39	8.5611	0.0165
Scenario C (Entry of DELTA P's 40 MW LTPSA and Termination of DELTA P's 26.65 MW TPSA)	16.1787	7.39	8.7887	0.2276

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Despite the increase, this adjustment ensures a stable, reliable, and adequate energy supply, offering sustainable baseload power supply to meet the growing energy demands of consumers across the Palawan Main Grid, while enjoying the UCME subsidy provided by law and lower effective rates.

A rate impact study of the implementation of the *PALECO-DPI PSA* is attached as **Annex “Y.”**

29. Consistent with the Honorable Commission’s Resolution No. 21, Series of 2011, applicant PALECO consumers shall pay only the Subsidized Approved Generation Rate (“SAGR”) approved by the Honorable Commission as the generation component of the retail rate.
30. Copies of the following documents and/or information are attached to this *Joint Application* as annexes and made as integral parts hereof:

Annex	Documents/Information
“A”	PALECO-DPI PSA
“B”	PALECO Certificate of Registration of Articles of Incorporation issued by National Electrification Administration
“B-1”	PALECO Amended Articles of Cooperation and By-Laws
“C”	PALECO Certificate of Registration issued by the Cooperative Development Authority
“D”	Verified Certification of PALECO List of Directors
“E” and series	PALECO Certificates of Franchise
“F”	DPI Certificate of Incorporation
“G”	DPI Amended Articles of Incorporation
“G-1”	DPI Amended By-Laws
“H”	DPI 2024 Amended General Information Sheet
“I”	DPI Verified Certification of the list of Board of Directors and Board Members of Ultimate Parent Company, its Subsidiaries, and all its affiliates
“J”	DPI Certificate of Registration of Amended Articles of Incorporation
“K”	DPI DENR-EMB ECC No. ECC-CO-1605-0016
“L”	DPI Provisional Authority to Operate dated 30 September 2024
“M”	DPI DOE Certificate of Endorsement
“N”	PALECO Certification on Reliability of Network and Grid
“O”	PALECO 2024 Power Supply Procurement Plan for Palawan Main Grid
“O-1”	PALECO Distribution Development Plan

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Annex	Documents/Information
“P”	PALECO Supply and Demand Scenario, Details of Existing Suppliers, and Contract Utilization
“Q”	PALECO Average Daily Load Curve
“R”	PALECO Palawan Main Grid Single-line Diagram
“S”	PALECO Performance Assessment
“T”	DPI Point-to-Point Facility Application, docketed as ERC Case No. 2017-006 MC;
“T-1”	Decision on ERC Case No. 2017-006 MC (Point to Point); and
“T-2”	Motion of Reconsideration in ERC Case No. 2017-006 MC (Point to Point)
“U”	PALECO-DPI PSA Executive Summary
“V”	DPI Financial Model and related documents
“V-1”	Bank Certification for eDPI
“V-2”	Bank Certification for nDPI
“W”	DPI Sample Computation of Power Rates
“X”	DPI 2023 Audited Financial Statements
“Y”	PALECO Estimated Rate Impact Analysis
“Z”	DPI Fuel Supply Agreement;
“Z-1”	DPI Amended Fuel Supply Agreement
“AA”	DPI Sworn Statement on Fuel
“BB”	DPI Relevant Technical and Economic Characteristics of the Generation Capacity
“CC”	DPI Certification of Net Heat Rate
“DD”	DPI Secretary’s Certificate
“EE”	PALECO Board Resolution No. 201 series of 2024
“EE-1”	PALECO Board Resolution No. 21, series of 2024
“EE-2”	PALECO Board Resolution No. 168 series of 2024
“EE-3”	PALECO Board Resolution No. 179 series of 2024
“FF”	Competitive Selection Process Report
“FF-1”	NEA Office Order No. 2024-076
“FF-2”	NEA Office Order 2024-186
“FF-3”	Invitation to Bid Publication
“FF-4”	NEA Certificate of Conformity No. NEA-RAO-COC-2024-05
“FF-5”	Bid Bulletin Nos. 01 and 04

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Annex	Documents/Information
“FF-6”	NEA Notice to Execute Award
“FF-7”	Invitation to Participate as CSP Observer (NAPSSHI)
“FF-8”	Invitation to Participate as CSP Observer (PCCI)
“FF-9”	Invitation to Participate as CSP Observer (IIEE)
“FF-10”	Invitation to Participate as CSP Observer (PDEC)
“FF-11”	Invitation to Participate as CSP Observer (DOE)
“FF-12”	Invitation to Participate as CSP Observer (NPC)
“FF-13”	Invitation to Participate as CSP Observer (TransCo)
“FF-14”	Invitation to Participate as CSP Observer posted on PALECO Website
“FF-15”	Invitation to Bid
“FF-16”	NEA Certificate of Conformity
“FF-17”	Publication in Philippine Daily Inquirer 10 May 2024 issue
“FF-18”	Publication in Philippine Daily Inquirer 17 May 2024 issue
“FF-19”	Affidavit of Publication
“FF-20”	ITB Web Posting
“FF-21”	DOE Advisory 2024-07-001-SEC
“FF-22”	Final Bidding Procedures (sans annexes)
“FF-23”	Terms of Reference
“FF-24”	Summary of the 1 st Pre-Bid Conference
“FF-25”	Summary of the 2 nd Pre-Bid Conference
“FF-26”	Supplemental Bid Bulletins
“FF-27”	Legal, Technical, and Financial Eligibility Requirements Checklist
“FF-28”	Omnibus Sworn Certification (form)
“FF-29”	Certification of Acceptance of Transaction Documents

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Annex	Documents/Information
“FF-30”	Bid Security Evaluation Form
“FF-31”	Authorization Letter
“FF-32”	Technical Bid Form
“FF-33”	Financial Bid Form
“FF-34”	Draft Power Supply Agreement
“FF-35”	Eligibility Checklist
“FF-36”	Technical Proposal Checklist
“FF-37”	Bid Security Checklist
“FF-38”	Comparison of Bids
“FF-39”	NEA SBAC Resolution No. 03 series of 2024
“FF-40”	Notice of Award
“FF-41”	Notice to Execute PSA
“FF-42”	DPI Performance Bond
“FF-43”	Notice to Proceed
“GG”	DPI Affidavit in Support of Prayer for Provisional Authority;
“GG-1”	PALECO Affidavit in Support of Prayer for Provisional Authority
“HH”	DPI Omnibus Certification for Non-Applicability of Documents
“HH-1”	DPI Affidavit of Undertaking
“II”	PALECO Omnibus Certification for Non-Applicability of Documents
“JJ”	Proof of Service to LGUs
“KK”	Affidavit of Publication

**ALLEGATIONS RELATIVE TO THE PRAYER FOR
CONFIDENTIAL TREATMENT OF INFORMATION**

31. 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.
32. Pursuant thereto, applicant DPI 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”):

Annex	Documents/Information
“V”	DPI Financial Model and related documents
“V-1”	Bank Certification for eDPI
“V-2”	Bank Certification for nDPI
“W”	DPI Sample Computation of Power Rates
“Z”	DPI Fuel Supply Agreement;
“Z-1”	DPI Amended Fuel Supply Agreement

33. The Confidential Documents contain certain non-public information, data, and calculations involving business operations and financial trade secrets reflecting DPI’s investment and business calculations. As such, the foregoing information, data, and calculations fall within the bounds of “trade secrets” that are entitled to protection under the law.
34. In the case *Air Philippines Corporation vs. Pennswell Inc.*,²² the Supreme Court defined “trade secret” as follows:
- “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 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 advantage over competitors who do not possess the information. Generally, a trade secret is a process or device intended for continuous 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.”
35. Also, the Confidential Documents were prepared and developed for the exclusive use of applicant DPI, and is designed for the specific use of the company in its power generation business. Consequently, should the same be disclosed to the public, they could easily be copied or used by applicant DPI’s competitors or other entities engaged in the power business to the prejudice of DPI.
36. The interest of applicant PALECO’s consumers is sufficiently protected by the review and evaluation of the rates under the EPSA by the Honorable Commission, without the need to disclose the contents of the Confidential Documents.

²² G. R. No. 172835, 13 December 2007.

37. Given the foregoing, the Confidential Documents qualifies as “confidential information” and applicant DPI respectfully moves for the issuance of a Protective Order to this effect.

**ALLEGATIONS IN SUPPORT FOR THE
ISSUANCE OF PROVISIONAL AUTHORITY**

38. A provisional approval of the *PALECO-DPI PSA* is necessary ensure sufficient and reliable power supply to meet both the current and growing demands of the Palawan Main Grid.
- 38.1. Applicant PALECO as an off-grid EC is fully dependent on bilateral power supply agreements to meet the energy needs of its consumers. Unlike on-grid utilities, applicant PALECO has no access to an electricity spot market to supplement its power supply.
- 38.2. Applicant PALECO’s franchise area is expected to incur a steady rise in electricity demand, with peak demand projected to grow at an average annual rate of 5.52%. The current supply of approximately 75 MW is insufficient to meet this demand. The *PALECO-DPI PSA* is urgently needed to address the power deficit and prevent service interruptions.
- 38.3. The procurement also addresses the imminent expiration of applicant PALECO’s emergency power supply agreement (by 01/24/2025) and transition power supply agreement (by 10/04/2025). Without timely replacement of these agreements, there is a significant risk of power shortages, leading to disruptions in electricity service for PALECO’s consumers.
- 38.4. Without the immediate implementation of the *PALECO-DPI PSA*, the entire Palawan province may face looming daily rotational blackouts, disrupting the lives of Palaweños, compromising hospitals and healthcare services, and endangering lives. Schools may reduce hours or suspend classes, government services could be paralyzed, and the local economy would suffer severely as businesses struggle without reliable electricity.
39. Significantly, the implementation of the *PALECO-DPI PSA* is expected to consistently reduce effective rates for all PALECO consumers, addressing the long-standing clamor of Palaweños to fully benefit from the UCME subsidy. It also aims to ensure a stable, reliable, and sufficient energy supply, providing a sustainable solution to the energy needs of consumers across the Palawan Main Grid.

40. The Affidavits of **MR. EMIL ANDRE M. GARCIA** and **ENGR. REZ L. CONTRIVIDA** attesting to the truth of the above matters and in support of the prayer for provisional authority is attached as **Annexes “GG” and “GG-1”**.
41. Pursuant to the Honorable Commission’s Rules of Practice and Procedure, the Honorable Commission may exercise its discretion by granting a provisional authority or an interim relief prior to a final decision. It is understood that the provisional authority or interim relief sought by the Joint Applicants shall be subject to adjustments and other conditions that the Honorable Commission may impose.

PRAYER

WHEREFORE, premises considered, Joint Applicants **PALAWAN ELECTRIC COOPERATIVE, INC.** and **DELTA P, INC.** most respectfully pray that the Honorable Commission:

1. **ISSUE AN ORDER** declaring the Confidential Documents attached hereto as **Annexes “V”, “V-1”, “V-2”, “W”, “Z” and “Z-1”** as confidential information as well as directing that the same be treated with confidentiality and be protected from public disclosure;
2. **ISSUE** the corresponding **PROTECTIVE ORDER** in accordance with Section 2, Rule 4 of the *ERC Revised Rules of Practice and Procedure*;
3. **GRANT PROVISIONAL AUTHORITY** to implement the *PALECO-DPI PSA* and allow PALECO to collect such rates, fees, and charges as provided in the PSA;
4. **DIRECT** the NPC-SPUG to execute a Subsidy Agreement with the Joint Applicants and **DIRECT** NPC-SPUG to pay applicant DPI the difference between DPI’s True Cost of Generation Rate (“TCGR”) and the Subsidized Approved Generation Rate (“SAGR”) though the Universal Charge for Missionary Electrification (“UCME”) subsidy computed as provided in the *PALECO-DPI PSA*, all reckoned from the Delivery Date of the PSA;
5. After due notice and hearing, **ISSUE A DECISION** (i) approving the instant *Joint Application in toto* which will thereby allow/authorize applicant PALECO to charge and collect the fees from its consumers reckoned from the commencement of the supply to the latter by applicant DPI; and (ii) directing that the rates, terms, and conditions of the *PALECO-DPI PSA* be retroactively applied for the entire term of the PSA.

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Other reliefs just and equitable under the premises are, likewise, prayed for.

The Commission 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 platform for the conduct thereof, pursuant to Resolution No. 09, Series of 2020²³ and Resolution No. 01, Series of 2021²⁴ (ERC Revised Rules of Practice and Procedure):

Date and Time	Platform	Activity
07 May 2025 (Wednesday) at nine o'clock in the morning (09:00 A.M.)	Microsoft Teams Application	Determination of compliance with jurisdictional requirements and expository presentation
14 May 2025 (Wednesday) at nine o'clock in the morning (09:00 A.M.)		Pre-trial Conference and Presentation of Evidence

Accordingly, PALECO and DPI are hereby directed to host the virtual hearings at **PALECO's Principal Office at Km 3.35, North National Highway, Puerto Princesa City, Palawan**, as the designated venue for the conduct thereof and ensure that the same is open to the public. Moreover, PALECO and DPI 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, 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.

²³ A Resolution Adopting the Guidelines Governing Electronic Applications, Filings and Virtual Hearings Before the Energy Regulatory Commission.

²⁴ A Resolution Adopting the Revised Rules of Practice and Procedure of the Energy Regulatory Commission.

Moreover, any person who has 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, 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, 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 acknowledgement receipt e-mail sent by the Commission.

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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 virtual hearings by providing the Commission, through 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 20th day of March 2025 in Pasig City.

FOR AND BY AUTHORITY
OF THE COMMISSION:


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